the Freeman

Ideas on Liberty

OCTOBER 1977

"DON'T BE FUELISH"

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Free Market ECONOMICS

by **BETTINA BIEN GREAVES,**
of the senior staff at FEE

A textbook in two Volumes, each 8½″ by 11″

A BASIC READER 286 pages **$6.00**

A SYLLABUS 246 pages **$6.00**

Here is a unique opportunity, at small investment, to get the concepts of the free market into the hands and minds of those who can best make use of them. When you've had a chance to study and use your set, you'll doubtless think of many friends with whom you'll want to share it—or provide with a copy of their own.

Order from:
THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
Irvington-on-Hudson, New York 10533

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the Freeman

VOL. 27, NO. 10 • OCTOBER 1977

"Don't Be Fuelish" — **Robert G. Anderson** — **579**
A government-engineered fuel crisis results in hypocritical advertising.

World in the Grip of an Idea
10. Germany: National Socialism in Power — **Clarence B. Carson** — **584**
Hitler comes to power through the politics of collectivism.

Prices Are Measures — **Joan Marie Leonard** — **598**
Every control over the market is a law against consumer satisfaction.

Zero Population Growth Versus The Free Society — **Edmund A. Opitz** — **600**
A government empowered to fully control all our lives would crush the individual.

Another View of Consumerism — **Dennis Bechara** — **608**
Any movement grounded in mistrust of the market will further diminish our freedom.

Liberty &/Vs. Equality — **James Bovard** — **615**
The relics of liberty are being smashed on the insatiable altar of equality.

Freedom in a Nutshell (Conclusion) — **Kenneth W. Ryker** — **621**
A concise and understandable presentation of the philosophy of freedom.

Book Reviews: — **634**
"Lord Acton: Historian of Liberty" by Robert Schuettinger
"Popular Government" by Sir Henry Sumner Maine

Anyone wishing to communicate with authors may send first-class mail in care of THE FREEMAN for forwarding.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

FOUNDATION FOR ECONOMIC EDUCATION
Irvington-on-Hudson, N.Y. 10533 Tel: (914) 591-7230
Leonard E. Read, *President*

Managing Editor: Paul L. Poirot
Production Editor: Beth A. Herbener
Contributing Editors: Robert G. Anderson
Bettina Bien Greaves
Edmund A. Opitz (Book Reviews)
Brian Summers

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a nonpolitical, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average $15.00 a year per person on the mailing list. Donations are invited in any amount as the means of maintaining and extending the Foundation's work.

Copyright, 1977. The Foundation for Economic Education, Inc. Printed in U.S.A.
Additional copies, postpaid: 3 for $1.00; 10 or more, 25 cents each.

THE FREEMAN is available on microfilm from University Microfilms International, 300 North Zeeb Road, Ann Arbor, Mich. 48106.

Some articles available as reprints at cost; state quantity desired. Permission granted to reprint any article from this issue, with appropriate credit except "Freedom in a Nutshell" and "World in the Grip of an Idea."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"DON'T BE FUELISH"

Robert G. Anderson

THE American consumer finds it hard to believe the commercial: "Please don't use my product." Buy small, drive less, lower the thermostat, recycle, stop wasting energy—the latest culprit in the energy debate has become the "piggish" consumer.

Millions in advertising are now expended to reprimand the consumer for consuming. Public utilities as well as the petroleum industry urge consumers to use less of their products. Even the automobile industry has joined in the plea—promoting smaller cars, car pooling, and less travel.

Such strange behavior is not the way of the market. Providing the consumer with more for less—creating better products—has been the traditional role of the producer. Producers in competition with one another have turned to advertising as a means of promoting, rather than curtailing, the use of their products.

That suppliers of energy should call upon consumers to curtail energy consumption would seem to be an act of irrationality in a free, competitive market place. But such behavior by producers today is not so much a mark of their insanity as it is a measure of the extent to which market forces have been blocked or abandoned in the energy business. An unfettered market for energy simply does not exist.

Price, in a free market, reflects changes in supply and demand. Assuming a steady demand, prices tend to fall when supply becomes abundant, and prices rise when things are scarce. High prices are a signal to consumers to conserve; and to producers, high prices are a spur

Mr. Anderson is Executive Secretary and Director of Seminars, The Foundation for Economic Education.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to increased productivity. But the free movement of price is now restricted by government.

This political interference has hampered the use of price as a means of allocating energy resources. Higher prices, a signal to increase energy supplies and decrease energy consumption, are prevented by government edict. Such government controls on price, as well as regulations hampering production, have discouraged any significant increase in the total supply of energy.

These political barriers to higher prices, and restrictions on production, have generated a widening gap between available supplies of energy and consumer demand. Producers—unable to respond to this disequilibrium through upward price adjustments or increased production—are forced into an advertising program to discourage consumption of their own products and services.

This strange turn in advertising is one of the inevitable consequences of earlier political intervention. Nevertheless, many people blame the market for this new development. Only when it is realized that such behavior is a product of government interference with market forces can any remedy be found.

The extent of government ownership of energy resources and energy-generating facilities is a primary source of the problem. Government legal ownership and government control in the energy field is awesome. Unlike private owners, government owners of resources need not respond to the demands of consumers. The motivating force of gain, which activates the employment of private resources, is absent when the resources are owned by government. Government employs its resources according to political determinations rather than market decisions.

Throughout the world, huge energy-rich land and sea areas are either directly owned or controlled by governments today. Access to these properties by private energy producers, if permitted at all, is at the total discretion of government. In many cases, the government reserves to itself all rights to exploit these resources.

Political Domination

The presence of government is even more universal in the delivery of electricity and natural gas. Much of the utility industry is legally owned by government. That which remains nominally in private hands is under the direct control of government, and decisions regarding prices, production, and distribution are under government jurisdiction. As a result, the entire industry is dominated by political concerns.

The tragedy of our age is that

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

political decisions are so heavily motivated by envy and guilt. Political redistribution of wealth and deprivation of consumers has been the logical consequence of these attitudes. The law has been used to reallocate property and direct the activities of the citizenry; and the government-owned resources are employed in a similar manner. Convinced that the "social justice" of collectivism demands both a reordering and a redistribution of economic resources, government responds by using all of its resources toward that end.

Obviously, what the political planners seek is radically different from what individual consumers want. A private owner of resources is forced to respond to the will of consumers if he wishes to prosper, but the resources of government are responsive to political rather than market pressures. The political will of a collectivist society is never the same as the individual consumer's choice in the use of his own purchasing power.

Today's political will decrees that low prices, resource preservation for posterity, the reduction of private profit, and reduced consumption are desirable goals in the energy field. To implement these goals, the government enacts various restrictive laws and withholds its resources from production.

Industries that traditionally have served the consumer well in the energy field rapidly are losing their freedom to do so. Government insists that energy resources must be preserved for future generations and that today's consumer is guilty of massive waste. Political concern for the poor prevents energy price rises, and political bias against industrial profits discourages increased production.

Economic Sabotage

The pursuit of these political goals is as effective a program of economic sabotage as anyone could devise. The conflict generated by a collectivist philosophy of envy and guilt assures ultimate chaos in our society. Meanwhile, producers of energy respond as best they can with the freedom they still retain.

The utility industry, forbidden by government to raise rates and hampered in developing additional capacity, is the classic victim of this political philosophy. Government, believing that low rates are best, that consumers are wasteful, and that resources must be preserved for future generations, thus restrains the utility industry. The industry, in desperation, resorts to a campaign urging consumer conservation, a program costly to consumer and producer alike.

The petroleum industry also is the victim of these political beliefs. Legislation holding oil prices below

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

market rates restricts profit margins and destroys incentive to produce. Legal barriers against private producers remove government-owned oil lands as a source of additional supply. International government cartels limit world supplies of oil. Adverse tax laws and production quotas further limit the output. With production thus restrained, the petroleum industry responds, as do the utilities, to advocate reduced consumption. Limiting the gap between existing supplies and growing demand becomes the primary concern of both industries.

The withholding of government-owned energy resources and the political bias against private production has left energy producers with but one option—to advertise for lower consumption of their products. Unable to expand productive capacity, they are attempting to forestall the political alternative: bureaucratic rationing of resources thus rendered scarce.

An advertising campaign to discourage consumption may allow frozen prices to continue to serve temporarily as the means of allocating resources. However, the limitation of production steadily raises costs and applies pressure for price increases. The hampering of new production ultimately will be borne by the consumer in a lower standard of living as energy resources are either not available in quantities desired, or available only at significantly higher prices. The fundamental problem still remains.

Pleasing the Government

"Conservation" advertising also is being done by some of the energy-related industries. Automobile manufacturers, for example, have been urging a reduction in the use of their energy-using products. Unlike the petroleum and utility industries, these producers still retain their freedom to expand production and sell their products at market-determined prices. Still, they engage in aggressive promotion of small cars, urge less driving, and encourage owners to trade less often, keep the old car longer.

The frightening aspect of this advertising is that it is undertaken to "please" government rather than to serve the consumer. The automobile industry clearly is intimidated after a decade of continual harassment by government regulations and production standards. More and more, the type of vehicle produced is ordained by government rather than by the consumer. The automobile industry is well aware of its dependence on a satisfied government.

In a free market the consumer is sovereign. The producer responds by diverting his resources and directing his advertising toward the desires of the consumer. Today, the regulatory power of government is gaining as-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

cendance over the sovereign consumer. To survive, the producer must be ever conscious of government's will as well as the consumer's choice.

Whether consumers want smaller cars, less driving, more car pooling, or more aged cars is irrelevant. It's what the government says is best! The automobile companies recognize this fact and respond to these political goals through their advertising programs. Just as they have been forced to meet government-imposed standards of construction, they likewise structure their advertising to government orders. Hypocrisy in advertising becomes a condition for business survival.

These pleas by the private producers of energy and of energy-using products for reduced use of their wares are not of their own making. Just as the well-being of the consumer suffers from a decline in total production, so too does the well-being of the producer. The fault must be placed on government, and its counter-productive political philosophy of envy and guilt. As long as our society is governed by this collectivist mentality, our economic well-being must suffer.

Yet, the market continues to respond. When hampered by radical government intervention, market forces turn to the areas remaining free. The options of energy producers have declined to the extent that they must now resort to advertising against the interests of themselves as well as of consumers.

In the pursuit of political goals in the energy industry, government has hampered production, taxed away profits, frozen prices below the market, and frustrated consumer choice. The result is a decline of our standard of living, and even our remaining freedom to be "fuelish" may soon be denied.

Isn't that foolish? ⊕

"Let the Government Fix It"

IDEAS ON LIBERTY

WHENEVER there is some trouble in any area of the economy, the simplest solution to many people is "Let the government fix it." Yet the record is plain for everyone to see—every time the government uses its money or its power to favor this group or that it sets in motion a train of events which causes even more serious trouble and imbalance in many other related areas. Over a period of years the net result is such a web of supports, subsidies, interventions and controls that it is almost impossible for a nation to find its way back into a dynamic system of really free enterprise.

LAWRENCE FERTIG

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

World in the Grip of an Idea

Clarence B. Carson

10. Germany: National Socialism in Power

In the presence of his prospective cabinet and before President Hindenburg of the Weimar Republic, Adolf Hitler intoned these words on the morning of January 30, 1933: "I will employ my strength for the welfare of the German people, protect the Constitution and laws of the German people, conscientiously discharge the duties imposed on me and conduct my affairs of office impartially and with justice to everyone." So saying, he was sworn as Chancellor of the Republic. The other members of the cabinet having taken their oaths, Hitler affirmed his good intentions to the President in a brief speech. Hindenburg, who had delayed asking Hitler to form a government for months, looked as if he were about to make reply but instead dismissed them with his favorite formula: "And now, gentlemen, forward with God!"[1]

Within months of this ceremony about the only relic of the Weimar Republic still standing was President Hindenburg, and he would not survive much longer. A Nazi Revo-

---

In this series, Dr. Carson examines the connection between ideology and the revolutions of our time and traces the impact on several major countries and the spread of the ideas and practices around the world.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

lution had taken place, was, as a matter of fact, still in process. This revolution was accompanied by the standard concomitants of modern revolution: suppression of liberty, confiscation of property, concentration camps, persecution of classes or categories of people, terror, and violence. The terror that gripped Germany in the mid-1930's was soon extended beyond German boundaries and during World War II threatened much of the world, if not all of it.

Ever since, indeed, beginning while it was going on, a great deal of ink has been spilled in attempts to account for Hitler and Nazism. One main approach has been to try to explain the violence, brutality, and viciousness of Nazism by what may be called a biographical-psychological examination of the leaders. Thus, Hitler, Goering, Goebbels, Himmler, and others are studied in order to discover their frustrations, quirks, sexual inadequacies, deprivations, and other origins of their hatreds. For example, a psychological study of Hitler made during World War II speculated that his disorders might have begun with misguided toilet training due to the excessive neatness and cleanliness of his mother. Anyone familiar with the literature knows of the reputed homosexuality of Ernst Roehm (organizer of the ill-famed SA—"Storm Troopers") and of the drug taking of Hermann Goering, for example.

How Nazism Gained Support in Germany

The major difficulty with the biographical approach, aside from the speculative nature of so much of it, is that while it may shed some light on the origins of the brutishness of Hitler and his henchmen it does not explain their success in gaining the support of so many Germans. For this, there is a supplementary explanation. It is to be accounted for by something in the German character.

Although the collective guilt of Germans for Nazi acts was officially rejected by the Nuremberg Trials after World War II, this did not keep it from being widely believed and frequently imputed to them by writers and commentators. The Germans have been accused of being especially drawn to authoritarian governments. This has been attributed by some to Martin Luther and the Lutheran Church. (But surely, it could be argued, if Luther was an authoritarian he was no more so than the Catholic Church. If this were once admitted, however, the specifically German character of this penchant would be refuted.) There are many variations on the Nazism-as-a-phenomenon-attributable - to - something - Germanic theme. Some focus on Prussian

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

militarism, others on latent anti-Semitism, and so on.

Whatever the motives of those who advance the biographical-Germanic explanation (combined, usually, with the notion that Hitler belonged to the "right wing"), the impact is to disentangle and separate Nazism from what is crucially necessary to understanding it. The biographical-Germanic approach tends to make it *sui generis,* something peculiar to Germany. Those who add the supposed "right wing" attribute do attempt to universalize it but confine it to movements which either do not exist or have no common ground in the contemporary world.

A simple story may both show the fatuousness of some of these attempts at explanation and lead us toward an understanding of the character of Nazism. The story is about a scene which the present writer witnessed a good many years ago on the outskirts of the small German town Herzogenaurah. It is but a few miles from the seat of a well-known university at Erlangen but has no claim to fame or notice of its own. Another American soldier and I were walking along the road on a late summer afternoon. We heard a commotion up ahead and saw there were perhaps a dozen children involved in it. As we approached them, we made out what was going on. The children were chasing, taunting, and otherwise harassing a deformed person. Whether we broke it up or whether it was done by some older German escapes my memory, but it was broken up. The details have faded, but the shameful incident has stuck in my memory.

Intolerable Differences

What is to be made of this incident, of this cruel attack by children, ganged up, on a deformed and helpless person? My first reaction, as I recall it, was quite conventional. What I had witnessed was the coming out of some loathsome trait in the German character. Or, the thought occurs to me now, perhaps the children should have been rounded up and taken to a psychiatrist in order to determine what it was in their earlier childhood that had bent them to participate in this particular cruel mischief. Mature reflection, however, convinces me that such approaches to an explanation are to be rejected.

What is misleading about this incident is that the person ganged up on and attacked was deformed. Once it is understood that this was incidental, what happened is all too commonplace. The person was not attacked because he (or she) was deformed but because he was *different.* It happens every day many times over. Children gang up to taunt and harass someone or other in their midst who is in some way

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

different. The target often changes from day to day.

The present writer recalls having been beset by what seems to have been the whole female contingent of his eighth grade class when he announced that he was in favor of Wendell Willkie instead of Roosevelt for President. The community was pro-Roosevelt Democratic, and I was, for a moment, a threat to its solidarity. Such behavior is almost as natural to children as pecking to death one of their number which develops an open sore is to barnyard fowls. Adults are not immune to it, though when they are trying to appear civilized they claim when they are picking on someone who is different that they are only teasing.

Nonetheless, herein lie the roots of collectivism. It is sometimes supposed that the wellspring of collectivism is envy. Undoubtedly, envy sometimes plays a role in collectivism, but it is not clear that it is essential. What is essential is the longing to be at one with some dominant group or order or class of people and to expel and, perhaps, destroy all who do not belong to it. It is, as H. L. Mencken once noted, the longing for the warm smell of the herd. It is powered much more by hatred than envy, hatred for the alien in the midst, the one who is different, and who thus disrupts the supposed unity. (This is mostly nonsense, of course, since such unity as exists arises from the focus on the alien. Expel the alien, and the differences among those in the "unified" group begin to stand out once again.)

None of us is immune to the collective urge. No doubt the Germans have it but so also do the French, the English, the Italians, the Russians, the Hottentots and the Bantu: the Jew and the Gentile, white and black, Protestant and Catholic, Oriental and Occidental. It may even be an urge which the human race shares with the lower animals. Nor is the collective urge necessarily and always productive of evil. When it is confined, restrained, limited, and civilized it enables us to enjoy the good fellowship and share in productive efforts with those of like mind and spirit. But when it is powered by hate, ideologized, and joined with the power of government—let loose to employ force—it is dangerous, wanton, and destructive. It becomes collectivism—the idea that has the world in its grip. The reason for including Nazism in this account is that some aspects of collectivism come out more clearly in it than elsewhere.

The Politics of Collectivism

Adolf Hitler was a master of what for want of a better phrase may be called the Politics of Collectivism. The phrase has probably never had

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

any currency because we do not ordinarily think of collectivism as having a politics. After all, politics has to do with persuasion, with compromise, with composing differences, and with gaining office or position. By contrast, collectivism has to do with concerting all energy behind a set of objectives, with the crushing of dissidence, and with the removal of offending elements. Politics entails the modes of behavior of those who would gain and hold favor when people are free to accept or reject them, in ordinary usage.

Even so, there is what may be called a politics of collectivism. It entails the methods of operation by which total power is attained and imposed. It is the means by which a collectivist gets the weight of the populace behind him. When Lenin attempted it, he provoked civil war. Stalin achieved it, in so far as he did, by extensive and prolonged terror. Hitler used terror, too, but much more selective terror than Stalin, and it was coupled with other equally effective methods. His mastery of the politics of collectivism can best be understood by exploring his methods.

Hitler's methods are revealed in Nazi ideology. Indeed, the ideology was itself a method of gaining and imposing power. There was always a tendency not to take Nazi ideology seriously, and for good reason. The intellectual level of it, in *Mein Kampf,* which is the major exposition of it, is very low. It is difficult to take a writer seriously who breaks into a historical discourse with statements about bowlegged Jews seducing young blonde German maidens, and that in the coarsest and most vulgar language. It is possible to laugh or cry at such hyperbole but hardly to take it seriously. Yet, as it turned out, Hitler was serious, perhaps even sincere, and Nazi ideology requires careful examination.

Emotional Appeal

Nazi ideology, that is, Hitler's ideology, was not an intellectual system. It was not arrived at by deduction from self-evident truths (praxiological) nor by analysis (dialectics) nor built up from the facts (inductive). Probably the least important aspect of Nazi ideology, to Hitler, was whether it was true or false. He was not interested in improving people's minds but in attracting followers; his appeal was not to the intellect but to the feelings. If Hitler had been reliably informed that the incidence of bowleggedness among Jewish men was much less than that for the German populace as a whole, it is most doubtful that he would have revised *Mein Kampf* to accord with the new information.

Nazi ideology was a compound of what may be best characterized as

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

beer hall or, in the American idiom, barroom exposition. The amount of alcohol that makes the generality of people convivial turns some people into public speakers. Such a person is likely enough to become a loudmouthed expounder of ideas, taking for listeners any and all who are in the vicinity, though one will often serve as well as ten. He will expound at length on what is wrong with the world and how it can all be set right. Such a person may have a considerable fund of information, a good memory for striking detail, and be fairly well acquainted with popular ideas. However, he prefers monologue (his) to discussion, requires at most an occasional nod for encouragement, and will not brook disagreement with what he is saying. His ideas are to thought what Hollywood mock-ups are to buildings, imitations which could hardly bear close examination.

Gaining Followers

Hitler's main discovery was how to make such talk productive in getting followers. The beer hall, or barroom, habitué who becomes a public speaker under the influence does not attract followers; on the contrary, he is probably hard put to find drinking companions. We can surmise, if we think about it, why it is that he probably does not attract followers. It is not that he fails to take his ideas seriously or that many of those about him do not share his prejudices. It is rather that he does not take *himself* seriously. Everyone knows that regardless of how cogent his ideas, the talkative drinker is not going to do anything about them. He is only going to talk about them. Hitler learned how to make such talk attract followers. He learned how in the course of numerous meetings in beer halls in Munich in the early 1920's.

Hitler did take himself seriously. (There is no reason to suppose that he was one of those who become public speakers under the influence, for he cared little for alcohol. His beverage was power, not alcohol.) The problem was how to get others to take him seriously and join forces with him. The way he discovered was to remove all doubt that he would act, all doubt that he meant business. Those who ventured to attend one of his meetings stood a good chance of witnessing the Nazi determination to act. Hitler did not hold seminars in Nazi doctrine; he arranged "happenings" as a backdrop to his fervent speeches. Any person or group which expressed their disagreement vocally was beaten up and thrown out of the meeting. He neither invited differences of opinion, nor did he tolerate them. The violent attacks on those who disagreed signified a determination and willingness to act. Those who did not take Hitler seri-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ously in his meetings could suffer a broken head for their oversight.

There was more to it than this, of course. Hitler was an astute student of mass psychology. His meetings were a bizarre form of entertainment. He usually charged admission during the early years. The Storm Troopers would be in attendance, the threat of violence in the air, the beer hall the setting, and then the main fare, his speech. He scheduled speeches for the nighttime whenever possible, for, as he noted in *Mein Kampf,* people are more readily influenced at night. He usually spoke at great length, two or more hours. The critical powers of the mind decline as the posterior grows numb, and it is at this juncture that the demagogue can be most effective. Hitler could play on the vagrant prejudices which come to the fore as the mind ceases to discipline its contents; he could project feelings of discomfort onto the enemy of his choosing, thereby transforming discomfort into hatred.

All this would probably have been of no account without ideology. Hitler claims to have given considerable attention to various ideologies, particularly to Marxism both in its Communist and Social Democratic formulations, and to the various nationalist dogmas. He perceived, too, what must be their fatal error. They could not act decisively and forcefully. They tended to divisions among themselves which weakened them and made them irresolute. The solution to this that he hit upon was to have a single authoritative leader, though the idea may not have originated with him since Lenin had already exemplified it. But this would not solve the problem if the ideology divided the population drastically. It was in solving this problem that Hitler showed himself the consummate politician of collectivism.

Marxism Is Divisive

Marxism as an ideology divides the people. With its focus upon and almost total reliance upon the proletariat, it alienates the rest of the population. Its atheism alienated Christians. Its internationalism, which Hitler ascribed to Marx's having been a Jew, failed to muster the national spirit of a people. Even so, Hitler gleaned much from Marxism. He believed Marxism to be right in destroying before making a revolution:

> It indicates a lack of deep insight into historical developments when today people who call themselves folkish make a great point of assuring us over and over that they do not plan to engage in *negative criticism,* but only in *constructive work. . . . Marxism* also had a goal, and it, too, has a *constructive activity. . .;* but previously, nevertheless, it *practiced criticism* for *seventy years,* annihilating, disintegrating criticism, and again criti-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

cism, which continued until the old state was undermined by this persistent corrosive acid and brought to collapse. Only then did its actual "construction" work begin. And that was self-evident, correct and logical.[2]

He denied that the success of the Marxists arose from the complicated Marxian literature. Instead:

> What has won the millions of workers for Marxism is less the literary style of the Marxist church fathers than the indefatigable and truly enormous propaganda work of tens of thousands of untiring agitators, from the great agitator down to the small trade-union official and the shop steward and discussion speaker. . . .[3]

The Führer Principle

Hitler described his ideology as the "folkish philosophy." He said:

> *The folkish philosophy is basically distinguished from the Marxist philosophy by the fact that it not only recognizes the value of race, but with it the importance of personality, which it therefore makes one of the pillars of its entire edifice.*[4]

What Hitler refers to as the "importance of personality" should be understood as the importance of leaders and the Führer principle. Actually, as Hitler noted, Communists have had to rely on "leaders." Hitler is quoted on this point, however, more to show that he was aware of or claimed similarity with the Marxists than for the acuteness of his distinction.

The major tactical difference between Nazism and communism was that Nazi ideology was not nearly so divisive. Hitler sought to forge an organic unity of the German people (excluding Jews and convinced Marxists, whom Hitler thought of as "ideologized Jews"). He would bind the Germans—industrialists, workers, military, and civil service—into a great productive and creative unity. To avoid dividing them, he steered clear of specific programs. As to what would be done economically, he said: "I had at that time and still possess today the unshakable conviction that it is dangerous to tie up a great politico-philosophical struggle with economic matters at too early a time."[5] He inveighed, too, against those who would try to tie the Nazi Party to either a Protestant or Catholic base. This would only serve to divide rather than unite the people.

Hitler's Use of Religion

The way Hitler used the Christian religion deserves more space than it can be given here. While Hitler was almost certainly a pagan, he frequently spoke as if he were the leading defender of Christianity and conscientiously doing the will of God. Typically, he could effect being most pious when appealing for racial purity. Instead of preaching celibacy, he declares at one place, the Church ought to enjoin racial

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

mixing, and by this "admonition finally to put an end to the constant and continuous original sin of racial poisoning, and to give the Almighty Creator beings such as He Himself created."[6] Of course, Hitler did not derive this doctrine from Christianity at all; he was using phrases and ideas drawn from Christianity to give a religious gloss to his own ideology.

Setting the Stage

Nazi ideology was concocted from German mythology, from the emanations of other contemporary ideologies, from anti-Semitism, and from Pan Germanism. Hitler intuited the ideological temper of the age and mixed a brew which would appeal to it. He was probably incapable of extended reasoning and he was certainly undisciplined to submitting conclusions to the test of evidence. He made contact with ideas at the point at which they have largely come loose from whatever gave rise to them. In this, he resembled the barroom talker. But, unlike our imaginary talker, he did not simply express them; he wove them into an ideology by repetition, by the skillful merging of images, by using his powerful will to hold them together. There was something demonic about his ability to express ideas that had a wide currency in Germany—that were popular and appeared to derive from the people—and yet to give every one of them his own context.

The Nazi ideology, though, should be thought of as a script to a play. People do not, by and large, read the script; they much prefer to watch the performance, to see the words take on life, to see them entwined with the action. If anyone was ever won over to Nazism by reading *Mein Kampf* he has yet to be heard from. But many were drawn into the movement as the play began to unfold.

Hitler was a revolutionary, a revolutionary socialist mayhap, certainly a revolutionary collectivist. He made no secret of his revolutionary intent. "*National Socialism as a matter of principle,*" he said, "*must lay claim to the right to force its principles on the whole German nation. . . . It must determine and reorder the life of a people. . . .*"[7] Its purpose was to be realized by "tearing down a world and building another in its place. . . ."[8] Hitler did not, of course, specify much of what was to be torn down and he only promised that an organic unity would take its place.

Even though Hitler was a revolutionary, following his stint in prison in the mid 1920's he set upon a course of trying to come to power by popular support. There is no reason to suppose that his punishment had converted him to legality, but it may have helped him to see the futility of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

any attempted seizure of power. Germany was much more ready to fall apart than it was to be pulled together by revolution. Anyone who grabbed a particular power in Germany might well see it evaporate in his hand.

If the Reichstag were taken over, its powers might revert to the states. If the army chieftains submitted, the soldiers might refuse to fight. The unions could bring a revolution to naught, if it did not suit them, by a general strike. Control of Prussia was undoubtedly the key to the control of Germany (assuming that Catholic Germany did not then secede), but that was hardly easier for Hitler to achieve than control over all of Germany simultaneously. As much as he despised elections, they offered the most likely route to power.

Rebuilding the Party

The failure of the Munich *Putsch* in 1923 and the subsequent imprisonment of Hitler and other Nazis all but destroyed the Nazi Party. When Hitler got out of prison, the task of getting electoral support appeared almost insuperable. The Party had to be rebuilt, his own control of it reasserted, and if it were to be anything but a Bavarian party it would have to make a beginning along these lines. The leader of the Storm Troopers, Ernst Roehm, had left the country, and that branch of the movement would have to be rebuilt. Most of the German states prohibited Hitler from making speeches, thus stilling his most effective method of gaining followers. In the face of these difficulties, Hitler did manage to revive and rebuild the Party, and the restrictions were eventually removed. Even so, in the Reichstag elections of 1928 the Nazis only got a sufficient percentage of the vote to name 12 deputies, 12 out of 491!

As noted earlier, the Depression gave Hitler his opportunity. As unemployment rose in Germany, so did the Nazi vote. In the election held in September of 1930 the Nazi Party got the second largest number of delegates in the Reichstag, second only to the Social Democratic Party. But they still had only 107 of 577 total delegates. The crucial fact, however, was that with the growth in delegate strength of the Nazi and Communist parties, none of the three configurations of non-revolutionary parties which usually formed governments could muster a majority. If a grand coalition of parties of the center plus the Social Democrats could have been formed it would have commanded support from only about 250 delegates. The old center parties had only 107 delegates. The nationalists could probably not have mustered 90.

Heinrich Brüning was named Chancellor and formed a govern-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ment which had representatives from parties with only 137 delegates. The Social Democratic Party did not participate in the government, but Brüning was only able to maintain power with its tacit support. He turned increasingly to rule by emergency decrees issued in conjunction with President Hindenburg in order to be able to function and still avoid votes in the Reichstag which would bring about the fall of the government. "In 1930 the Reichstag passed ninety-eight laws. In 1931 the number fell to thirty-four, while Hindenburg issued forty-two emergency decrees. In 1932 the Reichstag passed only five laws, while Hindenburg issued sixty decrees."[9]

The 1932 Elections

The Reichstag elections held in 1932 help to explain this virtual parliamentary collapse. In the elections held in July of that year the Nazis became the leading party with 230 delegates in the Reichstag. The Communists had been gaining with each election and now had 89. Together the Nazis and Communists commanded 319 votes, a majority. There was, of course, no possibility that the two would form a government and work together, but they could and would combine, by a vote of no confidence, to bring down at will any government named. It apparently meant, too, that the German voters had opted for revolution, though who should bring it about, whether Nazis or Communists, was not yet clear. It was ominous, too, that the vote for the more moderate parties had been steadily declining. The Democratic Party, such voice as nineteenth century liberalism had, elected only four delegates to the Reichstag. The German People's Party had only seven. Even the Social Democratic Party had been steadily declining in popularity.

Hindenburg had already tapped Franz von Papen to be Chancellor, and he formed a government from the center and nationalist parties. But he threw away whatever chance he might have had for tacit support from the Social Democratic Party (which would not have provided him with a majority in the Reichstag after the elections, in any case) by taking over the government of Prussia and driving the Social Democrats out. This was a fortuitous event for Hitler, for when he was made Chancellor he also took over the government of the largest state in Germany.

No Ruling Majority

It may well have been that Papen's control of the government and the police in Prussia, which included the city of Berlin, prevented a Communist uprising, for Berlin was the center of Communist strength. The government ordered, too, the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

disbanding of the Nazi SA (Storm Troopers), but this order was shortly rescinded. Papen might govern without the Social Democrats but not without some sort of assent from the Nazis. In any case, Papen was dependent upon Hindenburg and his emergency decrees for the day to day governing of Germany.

The Reichstag had no sooner assembled after the election than the Communists proposed a no confidence vote in the Papen government. It carried by the whopping vote of 512 to 42. Hermann Goering, the Nazi President of the Reichstag, prevented Papen from filing a dissolution order from Hindenburg which would have forestalled the test. Hitler had already refused to come into the Papen government as Vice Chancellor, insisting that he must head any government in which the Nazis participated. Hindenburg could not accept that solution at this time. So, there was little to be done but call for a new election.

The Reichstag election held in November of 1932 hardly improved matters. The Nazis lost a few delegates; the Communists gained a few; the National Party gained a few, and the Social Democrats lost a few. The Nazis and Communists combined still commanded a majority of the delegates. For once, however, the Nazis allowed the Reichstag to hold a few sessions without a crisis until it adjourned. Hindenburg called upon General Kurt von Schleicher to form a government. He maneuvered to try to get the support of enough parties to govern but in such a way that he lost whatever trust he had among party leaders. He tried to divide the Nazi Party by bringing Gregor Strasser into his cabinet. Strasser refused, and Hitler was furious with Schleicher. In like manner, he attempted to get support from the Social Democrats but succeeded only in irritating the leadership of that party. Meanwhile, Franz von Papen, who had earlier been a protege of Schleicher, began to maneuver behind his back.

Hitler As Chancellor

With the January 31, 1933 meeting of the Reichstag facing him, Schleicher recognized that he could not govern. Most likely, the delegates would hardly have been seated before he would have been subjected to a no confidence vote as humiliating as that received earlier by Papen. There was one way, he thought, by which he could govern and Hitler could be prevented from coming to power. President Hindenburg should dissolve the Reichstag, grant him emergency powers to govern, and suppress the Nazis and Communists before any new elections were called, if any were called. Hindenburg would not agree to this course, and Schleicher resigned.

At this juncture, Hindenburg

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

asked Hitler to become Chancellor of a new government. Historians, with perfect hindsight, have found fault with Hindenburg's decision ever since. He was, after all, 85 years old and was almost certainly becoming senile. But if Hindenburg had been at the height of his intellectual powers, there is little reason to suppose he would have acted differently. He was on the horns of a dilemma. To follow Schleicher's proposal would be to make him, or someone else, dictator. It would almost certainly mean the end of constitutional government and the Weimar Republic as well. (Hindenburg's honor was involved here, for he had pledged himself to obey the Constitution and uphold the Republic.) Even then, there was no assurance that whoever he chose as dictator could govern, and Hindenburg did know this. Such a dictator would have to depend upon the regular army (the *Reichswehr*).

But could the army impose a dictator on Germany? Hindenburg doubted it, and for good reason. The Treaty of Versailles, not Hindenburg, was to blame for this state of affairs. The army was restricted to 100,000 men, and the morale of those was an uncertain factor. Paramilitary forces vastly outnumbered the army, and many of them were armed and wore uniforms. Officers in the SA had been seen for some time swaggering about requiring regular army personnel to salute them. Any attempt at suppressing the Communists might bring forth a general strike from the unions. What Schleicher proposed would, at the least, suspend the Constitution and most likely bring civil war. That was one horn of the dilemma.

The other horn was Hitler. For all his blustering, crudeness, and vulgarity—this was well known—he was still an unknown quantity in one sense. He had not yet had the authority or responsibility for governing. Might not responsibility sober and tame him? Might not the necessity for getting a majority in the Reichstag restrain him? More, the cabinet might hold him in check. The Nazis were to have only two posts besides that of Chancellor. Papen was to serve as Vice Chancellor, and he was no wild man. Hugenburg, the head of the Nationalist Party, had a strong and tenacious personality; Hitler needed his party, and had him in the cabinet. Hindenburg detested Hitler, had delayed as long as he could raising him to power, but had finally to act. Reassured by his advisers, he made the fateful appointment.

Anyone dealt such a hand at cards as Hindenburg held, to change the figure of speech, should have asked for a new deal. Hindenburg already had, of course, but another election had left him holding the same cards, so to speak. Was there really any

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

reason to hope that yet another election would bring about any great change? So, hoping for the best, Hindenburg listened to the cabinet being sworn and gave them his charge with his familiar parting words: "And now, gentlemen, forward with God!" Hitler was not a gentleman—far from it. Germany did not go forward with God; instead, it went down with Adolf Hitler. At last, Hitler had the opportunity to prove that he was serious.

He was serious. He meant every word he had written and spoken, and more.

—FOOTNOTES—

[1]Eliot B. Wheaton, *Prelude to Calamity: The Nazi Revolution* 1933-35 (Garden City, N.Y.: Doubleday, 1968), pp. 202-03.

[2]Adolf Hitler, *Mein Kampf*, trans. Ralph Manheim (Boston: Houghton Mifflin, 1943), p. 453.

[3]*Ibid.*, p. 472.

[4]*Ibid.*, p. 448.

[5]*Ibid.*, p. 604.

[6]*Ibid.*, p. 405.

[7]*Ibid.*, pp. 577-78.

[8]*Ibid.*, p. 581.

[9]Wheaton, *op. cit.*, p. 97.

Next: *11. The Promise and the Terror.*

IDEAS ON LIBERTY

Peace and Prosperity

WORLD leadership requires that we constantly defend the principles of individual liberty and free enterprise. At every opportunity we should call out to the world that only competitive private enterprise can lead to peace and prosperity. We have a glorious history of individual freedom and safety of property—the absence of nationalization and confiscation by an omnipotent state. Our recent excursions toward the Welfare State endanger our record—and ourselves. But if we will correct that trend, then with pride we can demonstrate to the warring world that individual liberty is the only durable foundation for peace and prosperity.

If our way is freedom, then other nations on their disastrous roads may someday listen to reason and follow us as all civilized nations followed Great Britain during the nineteenth century. Law, order, and peace may then return once again to a battered world suffering from an absence of individual freedom and free enterprise.

HANS F. SENNHOLZ, *Welfare States at War*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Joan Marie Leonard

PRICES ARE MEASURES

CHANGING THE PRICE of anything by law is like trying to change the number of minutes in an hour or days in a week. You can't. That's the way it *is*. Can you imagine the confusion if we all lived according to different calendars or weights or measures? The result, of course, would be total chaos—an end to civilized cooperation, interrelationships and exchange between people.

An end to a life system is always inconceivable. But when the conditions are only partial, we allow them to inject their poisonous influences. We become accustomed to their obstructions and begin to consider them natural conditions, until the confinement they create is so obstructive we can't move and are forced to break through like a newborn eagle bursting from the encumbrance of its egg.

No matter what any legislator says, there are 12 inches in a foot. And there are 10 millimeters in a centimeter. And 16 ounces to a pound. It's just a matter of communication. Change it and there's no communication. A legislated price is a mislabeling no different from putting half a pound in a jar and calling it 16 ounces. Legal interference in the market falsely weights all our scales.

Any time the law sets a price, it "changes" a real price, or tries to. It makes a lie into a law. It throws rocks into the scales of trade and justice. It sabotages the precise, self-adjusting, "navigational" instruments of all business, investment and consumption. It tries to tell us that north is south, that what is bad is good, that our shortages are things that are plentifully available. Every below-market price lies about the item's availability. Every above-market price lies about its scarcity.

All this legalized misinformation seems to go quite naturally with the

Miss Leonard is a free-lance writer.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

thinking that informs us we can spend our way to prosperity.

But price is realistic. Price measures *all* market conditions. It is the only true measurement we have for all determinants in the market.

Price changes affect all market conditions because all factors are interrelated. No single commodity, no single category of workers can experience a fixed price or wage without affecting the whole market. The market is an ocean that reacts to the injection of every pebble of price. When legal interference becomes so pervasive that it applies directly to many wage-earners and segments of industry, the resulting widespread rigidity is devastating and catastrophic.

Any time laws introduce rigidity into the natural flexibility of the market, even a slight change of conditions is compounded in effect and can trigger the breakdown and destruction of the system. The natural flexibility of the market accommodates all change with the least destructive effect.

Price controls are obstacles in the way of natural market momentum. They set up an economic "fault line" with business moving naturally in one direction while government pressures continuously build greater and greater pressures in the opposite direction. All government interference is opposition or there would be no government interference. Every fixed price is a change in natural price or there would be no price fixed. Every intervention creates stress where there was no stress.

Where the results of price controls and market regulations aren't tragic they are on the way to being tragic as they proceed to misshape and distort the market. All companies within an industry may be asked to operate at a fixed level of return, but they are all operating on different and varying margins of costs, supplies and conditions. Legislated wage rates affect all companies regardless of their strength or situation—making it difficult for many companies to survive or even get started.

And what's bad for business is bad for consumers. In brief, every control over the market is a law against consumer satisfaction.

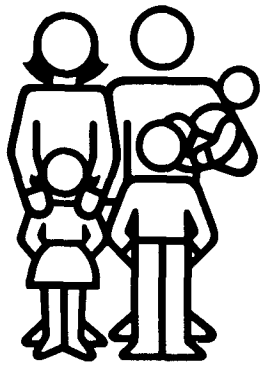
You can pass a law against convertibles, but you can't change the market that exists for them, established simply by people who like them. The law can't change the market any more than it can change *us* and what we want and what we will pay to have it.

A law that removes anything from the market, or limits its availability through price controls, only temporarily removes a part of the market's total ability to satisfy everyone. *Everyone.* And *progressively—in every way.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Edmund A. Opitz

Zero Population Growth VERSUS The Free Society



ONE of the great entertainers of our time is Victor Borge. It is somewhat ironic that Borge achieved his fame as a comedian, although he was also a concert pianist. In one of his comedy routines, Victor Borge told stories of his uncle, who was a very bright man. Borge's uncle was so smart that he invented a cure . . . for which there was no known disease!

Every time some population expert mounts his podium to address the world and says to us: "There are too many of you out there," I think of Victor Borge's uncle. The population expert views with alarm a "problem" which is largely nonexistent—where it actually does exist it is less acute than other problems—and his proffered solution, Zero Population Growth, would cure nothing.

The problem, as visualized by proponents of ZPG, is too many people. We are menaced by "the population bomb," "the population threat," "the fertility explosion," a plague of people. The human race has always had to contend against the Four Horsemen of the Apocalypse: Conquest, War, Famine, and Death. To which we now add a fifth horseman, People! "The gravest issue the world faces over the decades ahead . . . short of thermonuclear war itself . . . is . . . population growth." The words I have just quoted are those of Robert S. McNamara, President of the World Bank, from an address delivered at the Massachusetts Institute of Technology, April 28, 1977.

"Indeed, in many ways," Mr. McNamara continues, "rampant population growth is an even more dangerous and subtle threat to the

---

The Reverend Mr. Opitz is a member of the staff of the Foundation for Economic Education, a seminar lecturer, and author of the book, *Religion and Capitalism: Allies, Not Enemies.*

This article is from an address before the National Right to Life Convention, Chicago, June 17, 1977.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

world than thermonuclear war, for it is intrinsically less subject to rational safeguards, and less amenable to organized control.

"The population growth of the planet is not in the exclusive control of a few governments, but rather in the hands of literally hundreds of millions of individual parents who will ultimately determine the outcome."

Mr. McNamara has harsh words for "societies that procrastinate while dangerous population pressures mount." No government, obviously, "can afford to let population pressures grow so dangerously large that social frustrations finally erupt into irrational violence and civil disintegration," and so governments must intervene to "improve access to modern means of fertility controls." In practice, this means that governments must provide "a broad selection of the current contraceptives . . . as well as sterilization, and—where the society desires it—abortion."

Mr. McNamara is not an extremist; compared to other ZPG'ers, his statement of the issues is calm and his advocacy of further governmental interventions and controls is the typical "liberal" panacea; the "liberal" confronts something he doesn't like and his stereotyped response is: "There ought to be a law."

There have been studies of population trends ever since Thomas Robert Malthus penned his celebrated *Essay* in 1798. Malthus feared that population would always impinge on subsistence; no matter how great the increase in the production of foodstuffs, population would increase at a faster rate, and mankind therefore faced perpetual misery. Malthus looked through the wrong end of the telescope, and so his prophecy makes a certain amount of sense as history. Look backward over the centuries when this planet housed a mere few hundred million people, and it is true that most people went hungry most of the time, only to perish during the periodically recurring famines.

What Is Overpopulation?

If you define overpopulation as more people on the planet than a given area can sustain, then the world until modern times has nearly always suffered from overpopulation! Before the Europeans came to this continent this land mass was inhabited by less than a million Indians. Food was nearly always in short supply and starvation was a constant threat. There was an imbalance between food supply and the number of mouths requiring to be fed; such an imbalance is the only meaningful definition of overpopulation. Pre-Columbian America was overpopulated.

But then some important developments occurred in western na-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tions as political liberty flowered in the eighteenth century. Serfs and slaves became free men with a right to enjoy the fruits of their labor—so they produced more. It was a period marked by science, inventions, and technology—with progressive increases in agricultural and industrial production as a consequence. Wages doubled, redoubled and doubled again. The entrepreneur—the man able to combine capital, labor and resources to best satisfy consumers—was accorded status and prestige. Work acquired a new dignity, thrift was praised, increasing prosperity and material well-being was enjoyed by the multitudes. The immense productivity of the American people during the past two centuries has resulted in a situation where famine is no longer a threat in this land, and where 215 million people live well on the same acreage that once barely sustained a million. We feed the world with our surplus, proving Malthus a lousy prophet!

Demographic Hysteria

Scholars have been studying population trends for the better part of two centuries; students who specialized in the subject began calling themselves "demographers" about a hundred years ago. But this scholarly discipline, demography, began to go hysterical about a generation ago, largely because of the so-called baby boom which came along in the aftermath of World War II. That boom lasted just long enough to cause a spate of prognostications about a planet in the year 2000 with standing room only. The baby boom burst, birth rates began to decline; and so the alarmists had to change their tune: the birth rate is not declining fast enough!

Mr. McNamara, in the speech cited earlier, tells us that a "significant decline in fertility . . . has occurred in 77 of the 88 countries for which estimates are available." The world-wide fertility rate has fallen off nearly 13 per cent over the past two decades. But a 13 per cent decline in the birth rate is not enough to satisfy Mr. McNamara, who declares that "Unless governments through appropriate policy action, can accelerate the reduction in fertility, the global population may not stabilize below 11 billion. That would be a world none of us would want to live in." Eleven billion people is just over twice the number of people now inhabiting the globe. How does Mr. McNamara know that none of us would want to live in such a world?

Mr. Colin Clark, for one, would not mind living with 11 billion people, nor, indeed, with many more. Colin Clark is a celebrated economist and one of the world's leading statisticians. *Fortune* magazine, in its December 1960 issue, published an ar-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ticle by Colin Clark entitled "Do Population and Freedom Grow Together?" His thesis was that economic progress and political freedom are often stimulated by population growth. Estimating the number of people this planet can sustain—if we use our intelligence—he made this startling statement:

> Today the best agriculturalists in Europe—the Dutch—produce a very good and varied diet on the equivalent of two-thirds of an acre of land per person. If all the land suitable for agriculture throughout the world were cultivated in this manner, assuming at the same time that the whole world eats as well as the most prosperous countries do now, provision could be made for 28 billion people, or ten times the world's 1960 population. If we take Japanese instead of Dutch standards of cultivation and of diet—after all, the Japanese are quite a healthy people—the world could provide for three or four times as many again.

The Intelligence Factor

The critical factor for a nation is not the number of people it contains, nor even its population density: the critical factor is the amount of intelligence the people bring to bear on their institutions, especially in the way they organize agriculture and industry. Take the unhappy country of India, for example; poverty is everywhere and misery weighs down the spirit. Why is India in such a parlous condition? Is it her "teeming masses"?

There are indeed a lot of people in that subcontinent, nearly 700 million of them; but the territory is vast. India's population density is just about one-half that of the Netherlands, and we never speak of the teeming masses of Holland. England has fifty more people per square kilometer than India, Japan has 117 more people per square kilometer than India.

India has the people and she has the resources; what she lacks are the institutions that make for productivity and prosperity. Her people suffer terribly in consequence, not because there are so many of them, but because—for religious reasons—they do not choose to establish the political and economic conditions which make for material progress. That's why India's situation is so heart-breaking; the problem is not India's "teeming masses."

I have stressed the alarmist and hysterical note typically struck in the writings of the proponents of Zero Population Growth—those who speak of people as a plague, a threat, an impending disaster. These writers prophesy that people are driven to breed senselessly and prolifically—unless governmental controls are imposed to prevent this calamity.

I have cited a tiny bit of the evidence on the other side, merely to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

cast some doubt on the ZPG thesis that there is a demographic crisis which provides a new rationale for governmental intrusion into affairs once regarded as most private and personal—a couple's decision as to the size of their future family. Mr. McNamara is horrified that this decision is in the hands of "literally hundreds of millions of parents." He thinks it should be turned over to the same people who operate the Post Office!

Built-in Safeguards

On the parallel question—as to the optimum number of people who shall walk the face of the earth—every one of us is aware that quality is more important than quantity and we do not like unhealthy urban concentrations of people. The very last thing any of us would want to see is a globalized New York City! But then, we're in no danger of such a thing happening. Living organisms are not at the mercy of some imagined demonic force causing them to multiply beyond their subsistence. There are built-in safeguards in nature and society to prevent such an eventuality.

A "Believe It Or Not" cartoon points out that if all the progeny of a single pair of oysters were to live and go on reproducing for a year there'd be a mass of oysters three times the size of the earth. Or something like that. But as a matter of fact, nature does not behave that way. I offer you a passage from a 1968 book by Arthur Koestler, *The Ghost in the Machine:*

> In recent years biologists have discovered that every animal species which they studied—from flower beetles through rabbits to baboons—is equipped with instinctive behaviour patterns which put a brake on excessive breeding, and keep the population-density in a given territory fairly constant, even when food is plentiful. When the density exceeds a certain limit, crowding produces stress-symptoms which affect the hormonal balance; rabbits and deer begin to die off from "adrenal stress" without any sign of epidemic disease; the females of rats stop caring for their young, which perish, and abnormal sexual behaviour makes its appearance. Thus the ecological equilibrium in a given area is maintained not only by the relative distribution but also by a kind of intraspecific feedback mechanism which adjusts the rate of breeding so as to keep the population at a stable level.

I realize that human beings are not geared into nature's rhythms by instinct, in the same manner as the other orders of creation. Our species is unique. With a portion of our being we transcend nature; we possess reason and free will. By the responsible exercise of our rational faculties and our power of choice, we have the ability to arrive at a decision after reflecting on the evidence. It is by taking thought that we human beings make our accommo-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

dation to the demands of nature and the requirements of our society. This is what it means to be a free and responsible human being; to be inner directed and self-directed in the pursuit of our life goals is a mark of a free person.

The Road to Tyranny

This brings us to what I regard as the crux of the population controversy. The evidence does not sustain the doomsday thesis that the planet will soon have standing room only; but suppose it did. The dire prophecies of the proponents of ZPG about "the population bomb" will never eventuate, but if we do believe these people and accept their remedy, we'll be saddled with a monstrous and tyrannical government. Farewell to freedom, then, as the bureaucracy mushrooms, spawning a multitude of snoopers, spies and enforcers. Citizens would be tested, tagged, ticketed. There'd be dissent and the suppression of dissenters; there'd be rebellions to put down. Mr. McNamara tells us that we would not like living on a planet with 11 billion people, and I would tell Mr. McNamara that the government he would invoke would be *Brave New World* and *1984* combined—impossible to live with! It would crush the individual.

Many people are concerned today, and rightly concerned, with the Soviet dissidents. We believe that the rights of these individuals are being violated, that something in each of these persons, which does not belong to the State, is being appropriated by the State. What that something is in each person may be called by different names—a portion of divinity in him, his soul, his sacred prerogatives, his rights. Whatever you choose to call this inner being of persons, which belongs to them simply because they are persons, we believe it should be held inviolate. The Soviet philosophy views the matter differently; the Soviet citizen is a product of the Soviet State and therefore he belongs to the State. The State owns him. Some Jews who wished to emigrate to Israel had to buy themselves from the Soviet State, the purchase price being the estimated cost to the State of their manufacture from child into citizen. The Soviet citizen lives to serve the State.

We take the opposite view, that the State or the government exists to serve citizens—in very limited ways. Governments are instituted to secure individuals in the rights which are theirs because the Creator so endowed them. "The God who gave us life," declared Jefferson, "gave us liberty at the same time." The government of a free people must not itself invade the rights of any person, and the law provides penalties for anyone who transgresses the rights of another.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Rule of Law

The essential function of the government of a free society, in harmony with the moral code, is to use lawful force against criminals in order that peaceful citizens may go about their business. The use of lawful force against lawbreakers for the protection of law-abiding citizens is the earmark of a properly limited government. Standing in utter contrast is a government's use of tyrannical force against peaceful citizens—whatever the excuse or rationalization. It's the contrast between the rule of law and oppression.

People should not be forced into conformity with any social blueprint; their private plans should not be overridden in the interests of some national plan or social goal. Government, the public power, should never be used for private advantage; it should not be used to protect people from themselves. Well, then, what *should* the law do to peaceful, innocent citizens? It should let them alone!

And this is precisely what the ZPG people do not intend; they do not intend to let anyone alone!

The idea of the intrinsic value, merit, or sacredness of the individual human person has suffered a drastic devaluation in the modern world. The human being once thought of himself as God's special creation, a favorite of the Almighty. But the religious vision of the totality—call it Theism—gave way to the world view of Materialism.

According to the Materialist there is nothing in the universe that shares man's values or responds to his aspirations. Man is a waif in an alien universe, buffeted by forces he cannot comprehend, doomed at last to complete his pointless journey with as little distinction as he began it, his proudest achievements reduced to dust and forgotten. The mood of our time is begotten by this world view, and the mood is a compound of sadness, resignation, rebellion, defiance and despair. The mood is anti-life, and especially anti-human life.

A Sense of Life

Only a society harboring a deep undercurrent of hostility to human life and its continuance could treat abortion casually, as a mere matter of personal preference. And the idea of Zero Population Growth could not possibly make any headway in a society with healthy values, where people experienced a genuine lust for life, appreciated the vast promise in every newborn child, loved life for its joys and took its pains in stride, and experienced life as a venture in destiny.

A profound sense of life is not be found within the world view of Materialism, or Secularism, or Humanism—choose your own label.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

We can recapture a profound sense of life only within the religious world vision of Theism. Faith in man can be rebuilt only around faith in God. Easy to say the words; what do they mean?

To believe in God is to act on the premise that a Creative Intelligence is at work in the universe; fulfilling its purposes through nature, in history, and above all by means of persons. This is the basic theistic premise and some primary implications are to be drawn from it: the totality is a coherent whole, i.e. a *universe;* history has meaning; human life has a purpose; individuals count. To say "God exists" is to affirm that the whole show makes sense.

To reject God, on the other hand, is to deny that any Creative Intelligence manifests itself in nature, history or persons. To deny God is to affirm that everything which exists is the mere end result of blind forces operating on dead matter over immense time. Accept *this* premise and it follows that there's no meaning to the whole; there's no cosmic purpose for human life, i.e., no discoverable pattern in the nature of things which offers man a clue as to how he should conduct his affairs.

No person can believe in the human enterprise, or find a purpose for his own life, if he rejects the belief that the cosmos makes sense. When people cannot make sense out of things, they come to feel that they are at the mercy of fate. In our day fate takes the form of material forces or historical trends which use people and use them up. Persons cease to believe that they are free beings, capable of making the significant choices which shape their own future. Having accepted the notion that human beings are the mere chance end products of natural forces—like everything else in nature—they lose heart; they lose faith in their own capacity to think, to understand, to plan, to project their dreams and realize them. I take it as axiomatic that external disorder and social strife is a reflection of disorder in the mind and soul. The calamities of today grew out of the bad ideas and misplaced affections of yesterday, for people tend to act out their ideas. As we believe so will we become. As we are within, so will our society be: for it is in the nature of the human condition as such that man forever seeks a harmony within himself, that is, an ordered soul; and secondly, he works for an outer order of society.

The critical question then is not the number of people who shall inhabit the earth; the critical question has to do with our understanding of human nature and destiny, the purpose of life, and the meaning of it all. If we are sound at this point, then we can deal nobly with the issues of life. And with God's help, we might make it. ⊕

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Another View of Consumerism

Dennis Bechara

THE consumer protection movement[1] is becoming another of those "sacred cows" which is above criticism. And that is an alarming development, inasmuch as the movement does not serve the best interests of consumers.

Stripped to its essence, the consumer protection movement is simply another manifestation of the anti-capitalist mentality. It is one more way of "reforming" the free market and curbing the actions of entrepreneurs whose interests supposedly are contrary to those of consumers. In that sense, this movement resembles so many others which are grounded in a basic mistrust of the free enterprise system. And it is altogether proper to inquire just how far the consumerist would go. Why should he stop at prescribing standards of quality? From his point of view, we consumers may be better protected under a totally planned economy—one in which only the products the planners deem good for us would be produced, and everything else would be prohibited.

The American experiment with Prohibition closely parallels today's consumer protection movement. The Prohibitionists were convinced that people should not drink. Not content simply to stop their own drinking, they would use the coercive power of the law to stop others as well. The

Mr. Bechara recently earned a master's degree in Labor Law at the University of Pennsylvania and will be returning to his native Puerto Rico to practice law there.

[1]Defined by Max E. Brunk in *The Freeman*, February 1973, as "a movement of third-party activists who champion causes which *appear* to them to be beneficial to consumers in general."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

irony, of course, was that drinking alcohol as such was not prohibited; rather, the manufacture, sale, and transportation of alcohol was banned. Ludwig von Mises explained it as follows:

> The idea was that people indulge in the vice of drinking only because unscrupulous businessmen prevail upon them. It was, however, manifest that the objective of prohibition was to encroach upon the individuals' freedom to spend their dollars and to enjoy their lives according to their own fashion. The restrictions imposed upon business were only subservient to this ultimate end.[2]

Viewed in this light, one may begin to examine the direct and indirect consequences of consumerism.

Consumers Do Not Have a Common Interest

As we approach the problem, we must recognize a fact often overlooked: consumers do not have a monolithic common interest. Some consumers may value quality above all else, while others value low prices. The beauty of the market system is that the consumers, through their economic voting power, show the producers which types of products they prefer. Thus, if consumers want low-quality products, these are the ones the market will offer. If there is a segment of the population willing to pay a higher price for better products, the market also will provide the products to satisfy such a demand.

Some of the consumer advocates contend, however, that the consumer is simply told to buy whatever goods are produced, on a take-it-or-leave-it basis. Hypothetically, it may be that some producers offer their products in such a way or try to create a demand for their products; but in the long run this type of activity cannot survive. If producers insist on offering unwanted products, they must not be surprised when their sales drop. Even if manufacturers succeed initially in "creating" a demand for products, there are two possible consequences. Either the consumers will realize that they did not want such a product and cease buying it, in which case only those that produce what pleases the consumers most will be rewarded; or the consumers will be persuaded that the product is good, and will continue to patronize such a producer until a competitor produces the product more efficiently.

Those who think that manufacturers create a demand for unnecessary products do not realize that a new product, successfully marketed, was desired by the consumers, as proven by the long-run survival of the product. The fact that the "Edsel" and "Corfam" were market failures is argument against those who believe that consumers have little to

[2]Ludwig von Mises, *Human Action* (Chicago: Henry Regnery Co., 3rd ed., 1966), p. 733.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

say about the long-run marketability of a given product.

Also, how do these critics distinguish among the successful products, those that are genuinely desired by the consumers and those that have been "forced" on the consumers by the sellers? The plain fact is that they cannot make any reasonable distinction. For if they could make such distinction, and if they were serious about the so-called plight of the consumer, they simply would dictate to industry those products which could or could not be produced.

The Value of Competition

Perhaps the main virtue of the market system which is being ignored by consumerists is the value of competition. If a producer is trying to sell a product which does not quite satisfy consumer desires, the profit motive will lead competitors to improve the product. And even if a producer succeeds in satisfying consumers, his high profit margin will serve as a magnet that will attract other producers into that particular field, with the consumer being the ultimate beneficiary of such a system.

The activists in the consumerist movement are contending, in effect, that consumers have poor taste. The further implication, of course, is that consumers simply lack sufficient intellectual capacity to decide the good or ill of a product; that consumers will buy products they do not need. Such a simplistic version of the realities of the market place is a dangerous doctrine. The imposition of product quality standards denies consumers the economic liberty to purchase products of lower quality. As Frank Knight said:

> A large part of the critic's strictures on the existing system come down to protests against the individual wanting what he wants instead of what is good for him, of which the critic is to be the judge; and the critic does not feel himself called upon even to outline any standards other than his own preferences upon a basis of which judgment is to be passed.[3]

According to Bertel M. Sparks, the real question is whether or not people are to be free to make mistakes.[4] Are we to allow people to buy products that are not really good for them or are we to eliminate the freedom to make mistakes? It should be recalled that our freedom is based on our desire to be free to try, free to succeed, and equally free to fail. Thus, we are dealing with a profoundly difficult philosophical problem.

It should be clear that when we talk about the consumer activist, we are not referring to the rightful actions a consumer is entitled to take

[3]Frank Knight, *Risk, Uncertainty and Profit* (Boston: Houghton, Mifflin Co., 1921), p. 182.

[4]"Caveat Emptor: The Consumer's Badge of Authority," *The Freeman*, June 1975.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

when he buys a product that is faulty, or when his product creates damages to a third person.

Caveat Emptor

The rule of caveat emptor has been increasingly expanded by judicial interpretation, making the existence of consumer activists unnecessary. Caveat emptor, as Professor Sparks defines it, "is nothing more than a doctrine that the seller will not be held responsible for promises he did not make or purport to make in any manner whatever."[5] Otherwise, the rule has been expanded to the point that a seller generally is liable for any damages caused either in the manufacture or in the sale of the product which reasonably may be expected to take place. Thus, a manufacturer is obligated to exercise due care in the design and manufacture of his products, and he is liable to the ultimate consumer, either on a negligence standard or on a strict liability theory.

Likewise, the seller is under duty to give warnings to the consumer of any unreasonable risks or dangers involved in the use of the product. The seller is entitled to have his directions heeded, and as a general rule, he is not responsible if the product is used for a purpose other than its intended use. At the same time, the seller is not responsible for obvious risks of which the consumer should take notice. For instance, we know that a knife cuts, so the danger should be obvious to all. Thus, if a person cuts himself while using a knife that is manufactured well, it would be unreasonable to hold the manufacturer or the seller liable for this.

The law of products liability is a very complicated field, full of conflicting cases. It is not the purpose of this essay to summarize such an aspect of the law. For the interested reader, there are other sources which present a more comprehensive coverage of the problem.[6] The purpose of mentioning these general propositions is to show that, as a matter of law, the manufacturer is already in a position of owing certain duties, not only to his customers, but sometimes even to third parties when his product causes damages that one reasonably could have foreseen.

Thus, the consumer activists are to a certain extent acting beyond these requirements of the law. They are pursuing policies which are not merely directed at remedying damages that sellers may cause, but they are going beyond that to begin standardizing all products to conform to the norms which they believe are the only valid ones.

[5] *Ibid.*, p. 327.

[6] William L. Prosser, *Law of Torts* (St. Paul: West Publishing Co., 4th ed., 1971), chapter 17.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Standardization of Products

But it must be recognized that if we are to require standardization of products, this will have a very negative effect on competition. Government regulation of the economy in general tends to have this effect. For example, as Louis M. Kohlmeier mentions:

> There is evidence that government regulation of commercial airline transportation, which began with the purpose of assuring flying consumers the most frequent and the most reasonably priced possible service, now has become government protection of the biggest airlines, meaning overpriced and not-so-frequent airline service.[7]

Thus, it is entirely conceivable that some sellers may favor laws that require product standards because these laws will protect such sellers from the effects of competition which may provide lower-cost or lower-quality products.[8] Of course, it is precisely the poor who suffer the most from the effects of regulation, since they would have to buy higher-priced goods as a result of regulation. Alchian and Allen mention an example of the effects of regulation on the consumer which is curious because the product from which the consumers were being protected is now widespread and universally accepted. This is what they say:

> Until about 1950, margarine could not be sold in some states—ostensibly because it was considered a "low quality" substitute for butter. And in many areas it could not be sold except as a *white* spread—even though butter is sometimes artificially colored and flavored. The publicly espoused rationale was that margarine is inferior and consumers would be misled. In fact, however, the laws protected milk producers from new market competition—as is evidenced by the fact that major milk-producing states had the strongest bans on margarine. Even mayonnaise was at one time similarly protected from competition from the "inferior" (and cheaper) substitute, salad dressing.[9]

Another author, Charlotte Twight, has written on the inherent dangers of product-quality laws. She stated that many of these laws ban "putrid," "decomposed" or "filthy" products without defining just what those terms really mean. Thus, the laws are charged with tremendous subjective judgments, with the inevitable result that the government will attain enormous powers over the economy. Political considerations also will be important in determining which products may or may not be allowed, thus placing the behavior of the economy one step further removed from the

[7] Louis M. Kohlmeier, Jr., *The Regulators* (New York: Harper & Row, 1969), p. 6.

[8] Alchian and Allen, *University Economics* (Belmont: Wadsworth Publishing Co., 2d ed., 1967), p. 335.

[9] *Ibid.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

consumers, who are supposed to be the real beneficiaries of such a system of regulation.[10]

The Consumer Product Safety Act of 1972[11] and the agency which the Act establishes, have the power to set product quality standards on a large set of consumer products. Although there are many products which the Act does not cover, many of these in turn are covered under other laws.[12] The Act delegates to the Consumer Product Safety Commission such powers as to set the actual product standards and to ban "hazardous" products. Thus, this Act confirms the point Charlotte Twight had stressed, the inherent subjectivity of any such standards.

Who Shall Decide?

The real issue which such legislation presents is whether we want the consumers to direct production or whether we want a bureaucratic agency to authorize or to prohibit production. And a second issue concerns the actual costs involved in such regulation.

We must recognize that the consumers will pay in three different ways for the "benefits" of regulation. First of all, as taxpayers, we will have to support the bureaucratic agencies that deal with consumer related issues. Let us not be deceived by the actual number of such agencies. As an American Enterprise Institute study showed, in 1969 there were 413 units of the federal government taking care of 938 consumer related activities.[13] This means that by paying higher taxes the consumers have that much less to spend or to invest as they choose.

The costs are not limited merely to supporting another bureaucracy. The net effect, of course, is to divert capital from the private (voluntary) sector of the economy to the public (coercive) sector. This inevitably will reduce production. The consumers also will be faced with higher prices for the products which the bureaucracy is regulating, due to more expensive production methods and the costs of complying with the governmental regulations.

Alternative Opportunities

Perhaps the highest cost is in the banning of alternatives from the market. The consumers would have fewer products to choose from, as any lower-quality products that would not meet quality standards would be off the market. If we were

[10]Charlotte Twight, *America's Emerging Fascist Economy* (New Rochelle: Arlington House Publishers, 1975), pp. 114-115.

[11]15 U.S.C.A. sections 2051-2081 (1972).

[12]For example drugs, which are covered under the Federal Food, Drug and Cosmetic Act.

[13]"The Proposed Agency for Consumer Advocacy" (Washington, D.C.: American Enterprise Institute for Public Policy Research, 1975).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

dealing with another form of civil liberty, such as free speech, there would have to be a compelling state interest that would justify such an abrogation of a right. It is unfortunate that many people do not regard free choice in the economy as a fundamental right. Even more detrimental is that this choice may be limited by what is deemed to be "in the public interest."

It is fitting to close the case with a quotation from Ludwig von Mises that concerns the fallacy of the presently-created dichotomy between political and economic rights. Once we are aware that our freedom is indivisible, we shall begin to see through such movements as the consumerist one, the inevitable consequence of which is the further elimination of our freedom.

The idea that political freedom can be preserved in the absence of economic freedom, and vice versa, is an illusion. Political freedom is the corollary of economic freedom. It is no accident that the age of capitalism became also the age of government by the people. If individuals are not free to buy and to sell on the market, they turn into virtual slaves dependent on the good graces of the omnipotent government, whatever the wording of the constitution may be.[14]

[14]Ludwig von Mises, *Planning for Freedom* (South Holland: Libertarian Press, 3rd ed. 1974), p. 38.

IDEAS ON LIBERTY

Frustrated Consumers React

ON February 28, 1793, at eight o'clock in the evening, a mob of men and women in disguise began plundering the stores and shops of Paris. At first they demanded only bread; soon they insisted on coffee and rice and sugar; at last they seized everything on which they could lay their hands—cloth, clothing, groceries, and luxuries of every kind. Two hundred such places were plundered. This was endured for six hours, and finally order was restored only by a grant of seven million francs to buy off the mob. The new political economy was beginning to bear its fruits luxuriantly. A gaudy growth of it appeared at the City Hall of Paris when, in response to the complaints of the plundered merchants, Roux declared, in the midst of great applause, that "shopkeepers were only giving back to the people what they had hitherto robbed them of."

ANDREW DICKSON WHITE, *Fiat Money Inflation in France*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

James Bovard

LIBERTY &/VS. EQUALITY

We sometimes fail to recognize the great conflict between two of our ideals—liberty and equality. In fits of utopianism, we have assumed that our minds are social and political alchemists, deriving gold from whatever process we believe in. The romantic pursuit of two ideals is leading to the failure of both. Unless we can constrain our desires to the dictates of reality, we will become tyrannized by our own dreams.

"Equality" can mean equal material goods and income, equal social status, and equal general success and "happiness" in life. Or, it can mean equality before the law, which is in a different and higher category, and without which liberty would be precarious. However, there is no necessary connection between equality before the law and equal property, power, and so forth. Equality before the law is the "natural" state in a political society, but equality of goods and social life in general is "unnatural," and would take a great amount of regulation and coercion to achieve and sustain.

I define liberty as the absence of coercion, the individual's right to do whatever he chooses with his life and property as long as he does not directly harm others. There are other definitions of liberty currently being bounced around; however, we will use the concept that does not necessitate the state's constant empirical coercion of the individual in order to reach a higher metaphysical realm of freedom.

Even Rousseau conceded that broad natural inequalities exist at

Mr. Bovard, of Blacksburg, Virginia, is a scholar currently preparing a treatise on the philosophy of history.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

birth. This fact has seemed evident to all men at all times, aside from certain sceptics in the last century. Many philosophers or theologians have affirmed the theoretical or theological equality of man at birth; however, few have argued that men are born equal in all capacities. The concept of natural equality of rights is a product of the natural law school of the seventeenth and eighteenth centuries. Nineteenth century socialists, with "social justice" as their measure of reality, worked out some attractive conclusions from the assumption that men are born equal in all capacities, so they decided their premise must be true. Lenin's plans for the end of the division of labor, allowing all men to do all jobs, is a typical example.

Genetic Differences

There have been schools of biology and psychology which upheld the banners of genetic equality, but these seemed more inspired by political conviction than by concrete evidence. In both these areas, present trends show greater concessions to hereditary inequality. As not all men are uniform, they are often different; as they are different, inequalities must result (unless we believe in only "equal" differences).

No one would dispute the fact of great differences in potential physical structure at birth (some were born to be five feet tall, and others six feet five inches); however, as soon as one speculates that the physically-determining genes might not be entirely and radically different from the mentally-determining genes, screams of "racist" and "elitist" fill the air. But why would the physically- and mentally-determining genes be so very different in their structure? If some universal orderer did design the plan, why would He allow such obvious physical inequalities to coincide with such perfect mental equality? Also, taking the evolutionist view, certain different physical traits have evolved from the challenge of various environments; is it not also likely that certain broad mental differences would evolve from the same cause?

Regulating the Environment

But even conceding for argument's sake genetic equality, how could the environment be insured against creating inequalities? Even individuals who are (hypothetically) exactly the same develop differences when subjected to different influences. Free societies, by their very nature, are very diverse, influencing different people countless different ways in various places and times. If one wished to see equality preserved, one would need to have tight controls over the influences on every individual. In order to preserve an

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

equal people, an equal and *uniform* environment would need to be *enforced.*

Egalitarians might argue that the state could raise all the children, shaping them in order to equalize them. But this would create a leviathan state likely to suppress the people, destroy the family unity and all the freedom and autonomy that accompany it, and lead to a lifetime of coercion in order to preserve freedom to be equal. Others would contend that with the proper regulations and order in a society, inequalities would be prevented, while "freedom" was preserved.

But what is the value of freedom if the individuals are not allowed to use their "liberty" as they see fit? The society has sacrificed all the realities of liberty to the preservation of a metaphysical phantom of equality. Free society implies the maximum of individual choice, limited only by the physical safety of other individuals. Perhaps socialists and egalitarians consider inequality unsafe, and thus justify multiplying the restraints and coercion of individuals to achieve a "truer" liberty.

Again, if a society is truly free, a high amount of diversity will exist. Individuals will choose different paths, some for the better, some for the worse. But to have one narrow level road, and to actively restrain people from going on their own, to quickly drag down anyone with aspirations for mountain climbing: this is neither free nor healthy.

Elusive Justice

Somewhere in the intellectual fog of the past century, inequality per se became associated with injustice. Currently many people have guilty consciences if they observe inequalities which have not been leveled. They think what adverse psychological effects the individual's excellence has on the group ego, and seek to crush all such excellence in the name of egalitarian utility. When the denial of empirical facts becomes a moral obligation, both intellect and morality are in deep trouble.

The achievement of economic equality would destroy almost all economic liberty. Anyone above a certain low level would have most of his income and property confiscated. Some would condone this in the name of justice and utility. However, if any freedom means or is worth anything to the common man, it is usually economic freedom. The average person does not express radical opinions or act as an extreme nonconformist.

Humanity always has had few philosophers and radicals. But, especially in recent centuries, the spirit of economic competition and accumulation has permeated the masses. This is a major cause of the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

West's current high standard of living. We can morally condemn the people, tell them they should desire other things, and destroy all outlets of competition. However, would this not be a great infringement on their liberty? If the common man is assigned a certain job in a certain place, dictated his salary, told his hours, will his conception of his personal freedom not greatly suffer?

A Deadly Alternative

Granted, contemporary capitalism is far from perfect competition; but, with an obsession for absolutes, we should not abandon an incomplete liberty for a perfect servitude. Much of the life of the common man (constant TV, loud stereo, alcohol, and the like) is stimulated by an urge to escape from boredom, though there is also a pervading sense of insecurity. To guarantee them a job and welfare might make life intolerably unchallenging for them.

As always, with liberty comes the possibility of failure. If the humanitarians who cannot bear to see individuals suffer for their own errors continue their efforts, we soon will have a whole society suffering from (due to) the ignorance of the "humanitarians." To take from a person all incentive and responsibility for his own success and prosperity would naturally destroy much of the challenge and excitement of life. What could possibly be more boring than a guaranteed low level of success through fifty working years, with no chance to rise above or fall below official standards?

Given the different desires and capacities of individuals, economic equality could only be preserved by economic tyranny. The state would need tremendous control and power over all the people. Economic equality would for all practical purposes destroy private property, thus undermining the foundation of civil, political, and individual freedom. When the state owns or supplies all the necessities of life, any dissent can easily be starved out. Capital is needed for successful dissent and criticism, and economic equality would destroy almost all capital sources. Freedom of speech and press are hollow when the state feeds the speaker and owns the press. In a free economy, dissenting opinions almost always can find employment and support from some source.

Natural Discrimination

To try to insure social equality would be to fight many of the most "natural" (in the sense of constant historical existence) tendencies in man. Again, society, being composed of different people with different tastes, will form into different groups and segments, according to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

people's values and choice. With numerous different groups with different values, some are likely to be thought of as better than others. A hierarchy will establish itself in people's attitudes, and social discrimination (liking some more than others) will occur.

The only alternative to social inequality is the greatest tyranny imaginable, not allowing any groups to form, not allowing anyone any knowledge about anyone else. Where there is information, there is judgment; and where there is judgment, there likely will be discrimination.

The place for the reformer to battle social inequality is in the thoughts and values of the members of society, not solely in the empirical arrangement. The state can pass decrees demanding an equal and universal love and concern, but this will only be as effective as any other metaphysical, romantic delusion. Social equality will be gained only in the hearts of men, not from the laws of the state.

Not the Inequality, But the Coercion Is Evil

As long as economic inequality exists and the population is not uniform in every way, social inequality will exist. But inequality is only an evil when it is directly coercive or oppressive. To assume that everyone has an equal right to any thing or position that anyone else has, is to call forth the great leveler of all progress, excellence, and sanity.

Some have believed that liberty must be equal, or else it is not liberty. However, liberty, being the absence of coercion rather than the presence of some material good, is not measurable. And, since different people have different tastes, desires, and values, they will use their liberty in different (and hence, "unequal") ways. To insist that all use their liberty the same would destroy it. Some socialists argue that, due to different social and economic conditions, some have more liberty than others. Again, excessive desire for equality of anything leads to restrictions and organization.

If freedom means the absence of coercion, then those are more free who are less coerced. But if we assume coercion to come mainly from government, then the lack of coercion would be basically equal for all, assuming equality before the law. If, as socialists do, we consider coercion to come from unsatisfied desires, then, as some are more satisfied than others, they are unjustly more free. If we accepted such "reasoning," we could get into all sorts of clever paradoxes and doubtful demands, which only some Hegelian or Marxist who believed in the "negation of the negation" could resolve.

The true liberty (absence of coercion) and the most valuable equality

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

(before the law) can and must exist together. When we begin blindly pursuing absolutes and romantic ideals, we can only expect our empirical conditions to suffer. The fiery passion of the first *"Liberté, Egalité, Fraternité"* led to despotism, and we must expect the same pitfall if we follow the same path. As Trotsky said, history cannot be cheated: if we repeat the past's delusions, we must also repeat their downfalls. We are surrounded by the relics of liberty smashed on the insatiable altar of equality: we can either clear our minds and begin reconstructing, or we can continue appeasing the deity of our time. But if we choose the latter, we must also doom the future to despotism.

IDEAS ON LIBERTY

Democratic Despotism

ABOVE this race of men stands an immense and tutelary power, which takes upon itself alone to secure their gratifications, and to watch over their fate. That power is absolute, minute, regular, provident, and mild. It would be like the authority of a parent, if, like that authority, its object was to prepare men for manhood; but it seeks on the contrary to keep them in perpetual childhood: it is well content that the people should rejoice, provided they think of nothing but rejoicing. For their happiness such a government willingly labours, but it chooses to be the sole agent and the only arbiter of that happiness: it provides for their security, foresees and supplies their necessities, facilitates their pleasures, manages their principal concerns, directs their industry, regulates the descent of property, and subdivides their inheritances—what remains, but to spare them all the care of thinking and all the trouble of living?

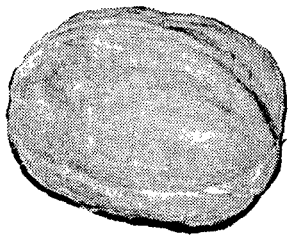
Thus it every day renders the exercise of the free agency of man less useful and less frequent; it circumscribes the will within a narrower range, and gradually robs a man of all the uses of himself. The principle of equality has prepared men for these things: it has predisposed men to endure them, and oftentimes to look on them as benefits.

ALEXIS DE TOCQUEVILLE, *Democracy in America*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Kenneth W. Ryker

FREEDOM IN A NUTSHELL



PART TWO

6. *Private Ownership of Property*

There are three major components of capitalism, the individual enterprise system. In the order in which they will be discussed, they are: (1) private ownership and control of property; (2) the free competitive market; and (3) the profit motive. Each of these is an important part of the whole system; interfering with the free working of any one of these will produce unfortunate economic consequences affecting everyone.

We have seen previously that there is only one type of rights: human rights—which are characterized as the rights to life, liberty and property. It will be noted that the right to life is basic, with the others really being an extension of this right.

To help understand the relationship between these rights, consider this: Who disputes that man has a right to his life? If it is conceded that he does, then does it not follow logically that he has a right to sustain his life? This he does with the fruits of his labor.

Are the fruits of one's own labor

This concludes Dean Ryker's analysis of freedom, the first portion of which appeared in the September *Freeman*. Reprints of the two installments are available as a 48-page booklet. They may be ordered from The Foundation for Economic Education, Irvington-on-Hudson, N.Y. 10533, at the following rates:

2 copies	$1.00
10 copies	4.00
100 copies or more, 25 cents each	

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

not his property? Who else has a right to them? If we agree that they are indeed his private property, have we not also agreed that this is necessary for the very sustenance of his life?

Thus, have we not agreed that to infringe on man's right to property is to encroach on his right to sustain his life and hence to his right to life itself?

The cornerstone of our economic system is the concept of private ownership of property, which we have seen is traced directly to man's inherent right to own the fruits of his own labor.

Freedom to dispose of one's property as one sees fit is the essence of the property right. Ownership implies more than the obligation to pay the taxes on property; it implies control!

If you do not control your property, you do not in fact truly own it. Whoever controls it in truth owns it, be it government or whomsoever. And if this be the case, your property has in fact been expropriated without due process of law and without just compensation.

To the degree that you have lost the freedom of disposition or control of your property, to that degree you have lost your property rights; to that degree you are a slave.

Producers, thus robbed, develop a slave psychology and production declines. The inevitable consequence of such circumstances will ultimately be a slave society.

When considered from the viewpoint of disposition, it is abundantly clear that property rights are basic human rights.

When man has the exclusive right to his production, he is free to dispose of it as he wishes. This makes possible the principle of willing exchange. When freedom to exchange private property exists, liberty is secure. When private ownership is denied, freedom will perish. Attacks on individual liberty are always accompanied by inroads on property rights.

7. *The Free Competitive Market*

The basic idea of the free market, willing exchange system "is that if we are left free to choose what we want most, we'll get the most of what we want." The only alternative to this system of free choice is one in which government uses *coercion* to *compel* choice.

The free market system is probably the most important element of a voluntary economy. Under such a system man exercises the highest degree of economic freedom as he guides production and consumption through the expression of his wants.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The satisfaction of the wants of consumers is the sole purpose of economic production. The finest method ever devised for guiding production is the free price system. Through this system our millions of consumers, through their purchases or refusals to purchase, actually "vote" for or against the production of all the millions of items produced in America.

Coping with Complexity

The argument is sometimes advanced that our economy is so complex that we must have central planning by government. Actually this is the best reason we should leave the market alone. The more complex it becomes, the more important it is to leave economic calculation to the individual decisions of consumers in the market place.

In the free market the price is a signal to everyone involved in production of a commodity: producers, consumers and distributors.

Through their subjective value judgments, as expressed by the prices they are willing to pay, consumers determine what items will be produced and how many; who will produce them, where and how.

One of the many superiorities of the market system over socialism, or the planned economy, is its ability to allocate rationally the factors of production.

In the free market prices direct all economic production. Because there are no free market prices under socialism, there is no rational means of directing economic production.

It has often been said that under the American system the consumer is king. This is certainly true, for what customers buy or do not buy determines what will be produced, and in what amount.

These purchases also determine the prices of all goods and services, and even of the factors of production, land, labor and capital. They determine whether businessmen make a profit or a loss. Customer purchases also set the rate of interest for loans and determine the income of every individual from the bellhop to the movie star.

Yes, the customer is indeed king in the free market. As Dr. Ludwig von Mises stated in his *Planned Chaos,* "The Market is a democracy in which every penny gives a right to vote."[8]

Thus we see the price mechanism makes economic calculation possible. Whenever government interferes with the price mechanism it replaces consumer preferences with government orders. The result is the very antithesis of economic freedom.

This interference with market prices explains one reason for unemployment, as when government sets minimum wages at rates higher than the market values individual productivity.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

It also explains agricultural surpluses which have piled up as price supports have pegged the price of agricultural products above what the market is willing to pay.

Individuals voluntarily exchanging the fruits of their own labor give rise to the *free market.* In simple societies the process involved was barter or trade, product for product. In our complex society, of course, we use a *medium of exchange,* money.

Exchange takes place in the market only when each party feels he will gain. A trade takes place only when one values what he receives more than what he gives up.

Money

The development of money has been a very important factor in the evolution of our economic system. Originally our money was *commodity money,* gold and silver coins; today it is only *fiat money,* numbers printed on pieces of paper or base metal slugs.

Money acts as a voucher which we receive for goods and services which we offer in the market and exchange for other goods and services. Or we may choose to *save* and *invest* some of these receipts.

Money has greatly simplified economic calculation and made possible our rise above the bare subsistence level which is all that is possible under the barter system of exchange.

Gold

The only way we can ever have a sound monetary system, and halt the erosion of the value of our savings and investments by inflation, is by a return to a *market-designated money,* such as a gold standard.

A monetary system based on the gold standard is self-regulating, requiring only the freedom of individuals to buy, sell and use gold in exchange. The great value of the gold standard is its disciplinary power over government. When people are free to exchange their currency for gold on demand, government is limited in its inflationary tendencies. This in turn prevents broad distortions of the economy, business cycles of boom and bust, by limiting credit expansion.

The causes of such "depressions" were explained by Dr. Ludwig von Mises in *The Theory of Money and Credit,* first published in 1912. In a review of the latest edition of this work Dr. Hans Sennholz, noted economist and financial analyst and protege of Dr. Mises, summarized this theory as follows:

> Professor Mises' trade cycle theory integrated the sphere of money and that of real goods. If the monetary authorities expand credit and thereby lower the interest in the loan market below the natural rate of interest, economic production is distorted. At first, it generates overinvestment in capital goods and causes their price to rise while produc-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tion of consumers' goods is necessarily neglected. But because of lack of real capital the investment boom is bound to run aground. The boom causes factor prices to rise, which are business costs. When profit margins finally falter, a recession develops in the capital goods industry. During the recession a new readjustment takes place: the malinvestments are abandoned or corrected, and the long-neglected consumers' goods industries attract more resources in accordance with the true state of public saving and spending.[9]

As described by Dr. Sennholz in the preceding review, the Mises theory "continues to provide the only explanation of the rapid succession of booms and recessions that continue to plague our system."

It is vitally important to note that such depressions and recessions are caused by "monetary authorities," which means *they are caused by the government!*

A practical plan to provide for a return to the gold standard, and thereby prevent these broad economic distortions, has been formulated by Dr. Sennholz. It involves the following gradual steps: (1) return the freedom of everyone to trade and hold gold; (2) permit individual freedom to use gold in all economic exchanges; (3) guarantee individual freedom to mint coins; and (4) government establishment of unconditional convertibility of its money into gold.

Step by step the federal government has assumed control over our monetary system. It thus captured a potent source of revenue and a vital command post over the economic lives of its people. This is why every friend of freedom is dedicated to the restoration of free money which is also sound money. It is the gold standard.[10]

One of the most important lessons we must learn is "that political control over the money supply is the secret weapon of political control over the economic lives of the people. Money is only money, but freedom is, or should be, beyond price. The hand that holds the purse strings is the hand that can compel obedience. The government that must *ask* the people for some of their money must be the servant of the people. The government that can take the people's money through deficit spending can become the master."[11]

The use of money makes it possible for consumers to compare various goods and services by means of their respective exchange *ratios* which we call *prices.*

These prices expressed in monetary units are in fact the heart of the market system because they make possible rational economic calculation. Let's examine this process.

Prices

We have previously stated that under capitalism the consumer is

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

king, for by the setting of prices consumers actually direct the production process. Because prices are set by the laws of supply and demand, let's analyze how this occurs.

The law of supply states that, other things being equal, the quantity of goods and services offered will vary directly with the price. If the price of tomatoes goes up, other things remaining the same, growers will attempt to produce more and the supply will increase.

On the other hand, the *law of demand* states that other things being equal, the quantity of goods and services purchased will vary inversely with the price. If the price of tomatoes is raised and other things remain the same, fewer tomatoes will be bought.

In a free, competitive market, when supply and demand are permitted to interact without government intervention, price is established at the point of equilibrium between the two. Supply equals demand and there is no surplus or shortage. The market is said to "clear."

If, for any reason, demand for a good or service rises, the price will rise; if demand falls, the price will fall. Likewise, if the supply of a good drops, with demand constant, the price will rise; if supply increases the price will drop.

A low price is a signal to producers to produce less and to consumers to buy more. High prices have the opposite effect.

This price mechanism is the marvelous device in the free, competitive market through which all the people, the consumers, have a direct voice in the determination of the allocation of the factors of production—what will be produced, how it will be produced and who will produce it.

Increasing the Money Supply

When government intervenes in the market by increasing the money supply, consumers have more money to offer for a given amount of goods and services. Prices will rise because total demand has increased while supply has remained constant. Each individual dollar is worth less because there are more of them. As a consequence, more dollars will be offered for a particular good or service.

When government meddles with the pricing mechanism, either shortages or surpluses will result. If the government institutes price controls, setting the price below the free market price, shortages will occur as demand will be high and supply low.

If government fixes prices above the free market price, as in the case of agricultural subsidies, supply will increase while demand decreases and a surplus is created.

Price is nothing more than an exchange ratio between the dollar

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and a unit of goods or services. When the consumer has more dollars, he values each dollar less. Prices then rise, not because supply has decreased, but because demand has increased—more dollars being present in the market.

An extremely important point to understand about money is that *money is not wealth.* What makes us wealthy, or increases our material welfare, is an abundance of *goods,* the result of *production!*

Perhaps an illustration will clarify this point. We know that prices are set by the laws of supply and demand. From these laws we know that as supply is increased prices will drop, or if demand is increased prices will rise.

Purchasing Power

These same laws apply to money, only in the case of money its price is referred to as *purchasing power.* If the quantity (supply) of money is increased the purchasing power of its unit will drop.

The objective on which we should focus our attention is increased material welfare, or a higher standard of living. We have just observed that an increase in the quantity of money will not increase our wealth, as each unit of our money would then purchase less.

If, on the other hand, we decreased the quantity of money relative to available goods and services, the purchasing power of our money would increase. But this would have undesirable side-effects greatly outweighing the increase in purchasing power. This process is termed *deflation* and its consequences are as undesirable as those accompanying *inflation.*

There are other factors such as increasing population, more advanced division of labor, and improved banking and business practices which affect the exchange value of money. Even the attitude of consumers toward spending or saving has a decided influence.

It should be obvious, however, that the market can operate with any quantity of money; it simply adjusts the purchasing power of the monetary unit accordingly.

Thus far we have discussed only the *money side* of exchange: supply and demand for money. Now let's turn our attention to the *goods side* of exchange, for this is where the secret lies for improving man's material welfare.

We have seen that prices can be lowered and the purchasing power of money increased, by decreasing the supply of money, but the same result can be attained by increasing the quantity of goods and services in the market. This has all the advantages and none of the disadvantages of deflation.

When the purchasing power of the monetary unit is increased and each

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

dollar buys more, *real income* goes up. Because consumers can buy more with their earnings, their standard of living increases.

Thus we see that the secret of a high standard of living is tied, not to the supply of money, but to production of goods and services. Ever-increasing production is the road to prosperity and wealth.

Say's Law

An additional benefit is derived from the operation of Say's Law—production creating its own purchasing power.

Here's how John Stuart Mill explained it: "Could we suddenly double the productive powers of the country, we should double the supply of commodities in every market; but we should, by the same stroke, double the purchasing power . . . every one would have twice as much to offer in exchange."[12]

Dr. F. A. Harper puts this phenomenon this way: ". . . Despite the fact that some goods and services are exchanged for others, and despite the fact that money may be used to facilitate these exchanges, what is bought still equals what is sold. Just as in one exchange the buying equals the selling because the same item sold by one person is bought by another, so likewise for the total of all trade in a complex economy, all buying equals all selling.

"And this leads to the unavoidable conclusion that production creates its own buying power in a free economy. Sales equal purchases and purchases equal sales, in total for all trade as for a single trade. Only if the market is not free, only as freedom to trade is interfered with, is this not true."[13]

Competition Vital to Protect the Consumer

A major element of the free market is the principle of free competition, vital because it is the force which protects the consumer. It is at work throughout the market economy, silently looking out for the best interests of all the people.

Competition is the pressure which forces producers to offer the best possible product or service at the lowest possible price, an essential to attract and keep customers when they are free to choose.

This competing between suppliers serves the best interests of everyone. In order to be competitive, the businessman must produce efficiently, give prompt and courteous service, and provide a good product. If he does not stay competitive, he will lose his market and soon be out of business. It is in this area of competition that profits accrue to the most efficient entrepreneurs.

Is this cruel, "dog-eat-dog," as the detractors of the free market system charge? On the contrary, it is only

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

proper that inefficient producers should be weeded out by the market, for only in this way can consumers be served best. Who will claim that the inefficient should be subsidized by the consumer, and even by their competitors?

But competition is not limited to the businessmen who supply the needs of consumers; there is competition between suppliers, competition between workers for jobs, between consumers as they compete to make their purchases. Competition permeates the entire market economy and is a healthy, wholesome, vital part of free enterprise!

Division of Labor

Were we each to produce all or most of the goods we consume, we would still be existing under a very low standard of living, as does most of the world today. Man has learned through experience that he can produce more efficiently through cooperation with others than he can as an isolated individual.

This same experience has demonstrated that division of labor tremendously increases the production per unit of human labor used. When each of us can specialize on a particular task, or a limited number of related tasks, we can do each better and faster, making possible greatly increased production.

The principle of the division of labor is based on the natural inequality in the abilities of men, and the unequal distribution of natural resources.

It was man's rational division of labor in production which made possible mechanization of these simple tasks, previously done by hand, and ultimately launched us on the way to an affluent society.

Although a highly refined division of labor is essential to a high standard of living, it at the same time places a great demand on society for responsible conduct in economic and political affairs. The higher the degree of specialization, naturally, the greater the dependency of each of us on the other. This calls for the broadest possible viewpoint in considering policies. Narrowly conceived policies may benefit one group of workers or one industry, but can have serious consequences for millions of consumers.

Comparative Advantage

The principle of comparative advantage simply means specializing in the production of those things for which one is best suited—doing what one does best—and letting others do the same. The exchange which results always maximizes the return from resources (factors of production), and results in an increase in the standard of living for both parties to the exchange.

We generally think of the principle of comparative advantage in

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

connection with international trade. Comparative advantage is simply the application of the principle of the division of labor to foreign trade. Because of this principle, it is always to our benefit to produce certain commodities in America, while importing others from abroad.

It is important to keep in mind, whether exchange takes place between individuals or nations, that if freely arrived at, it always benefits both parties to the exchange. Exchange takes place only when what is received is valued more than what is given.

But specializing on the basis of comparative advantage takes place not only in the area of international trade, but at all levels of exchange: national, regional, local, and even personal.

It is a little known fact that the late showman, Billy Rose, was a world champion typist and shorthand expert. Without question he could type and take shorthand better than any stenographer he could employ. But did he do his own typing? Certainly not! While a $60 a week steno was doing the typing, he could be earning $1000 as an impresario. This illustrates the principle of comparative advantage.

Free trade based on comparative advantage will maximize our standards of living, while protectionism with duties and tariffs will reduce the material welfare of everyone.

8. *The Profit Motive*

The driving force in the free market economic system is the *profit motive.* Consumers control the market through their purchases, which determine which producers will make a *profit* and which a *loss.* Thus, the means of production are constantly being shifted from the inefficient to the efficient producers.

Isn't it only right that he who serves his customers best should be rewarded? Profit and loss are the devices which signify to businessmen what needs of the consumers must be satisfied.

Production for profit requires production for the use of the consumer rather than the whim of an economic "planner," as only those producers who most efficiently satisfy the needs of the consumer will make a profit.

Profits indeed provide the incentive necessary to keep business prosperous and create new jobs.

The incentive for a man to work is the *wages* he earns; the incentive for him to save a part of what he earns is the *interest* the bank pays; and the incentive for people to invest in business ventures is the *profit* they hope that business may earn. People will not risk their savings unless there is a good opportunity to earn a profit.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Under the willing exchange market system, failure to make a profit means no new *capital* for new and better production *tools;* no tools for improved *products* at lower costs—and no *jobs*. In a word, profit means everything!

What is it that induces a person to consume less than he produces—to save? It is the incentive of potential interest! Only when a person expects to profit in the future will he do without—save—now.

Whittle away profit and people will not save and invest. If they don't invest, there will be less funds for new tools, new factories, new products, and consequently there will be fewer jobs.

The greatest benefit a company can provide its employees is to make a profit. By the same token, the worst mistake organized labor can make is to use their coercive power to cause a profit squeeze.

There are basically five costs of doing business, one of which is profit. Let's examine them briefly to see how it is possible to squeeze profit and consequently cause serious economic harm.

The first cost increment is that of *supplies and services purchased from others;* second is the total cost of *payroll and employee benefits;* third is the cost of *depreciation,* the provision for replacement of worn out and obsolete tools; then of course there are the ever-present *taxes* paid to local, State and Federal governments; and finally, if the business is efficient, there will be some *profit* left as payment to those who invested their savings in the company.[14]

Production

Man finds himself on this earth in a relatively harsh environment. In very few places does he find resources in abundance; almost universally they are scarce. In any location, however, regardless of the availability of resources, man's primary concern is how to sustain life; only after this problem is solved does he concern himself with his liberty.

In sustaining and improving the quality of his life, man must produce. He has only three elements with which to produce: land, labor and capital, which are known as the factors of production. For our purposes, it will be easier to understand their function if we call these factors, natural resources, human energy and tools.

It is helpful to view these elements in the context of a formula: Man's Material Welfare equals Natural Resources plus Human Energy times Tools, or

MMW = NR + HE × T.[15]

Our knowledge of the world about us tells us that natural resources are limited; so, too, is man's energy. It is obvious then that if man is to en-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

hance his material welfare significantly, it must be done by improving his tools of production.

It follows logically then that any act which contributes to an increase or improvement of tools of production will increase man's material welfare. Conversely, anything that inhibits development of new tools cannot help but diminish his material welfare.

Man produces so he can consume. Thus he is both a producer and a consumer. It is obvious that if man consumes all he produces, his material welfare would remain constant. By the same logic, if he consumes more than he produces his standard of living would suffer. This latter situation is sometimes referred to as "eating the seed corn."

So we see that if man is to progress, he must consume less than he produces. This difference, or surplus, is called *savings* and is used for *investment* in new tools of production. Only by continually improving his capital, his tools, can man's material welfare be increased, and only through saving and investing can he improve his tools of production. Only the hope of reward or interest will induce man to save. Hence, interest is essential to economic progress.

It is obvious then that anything that contributes to savings and investment will improve our material welfare, and conversely, anything that decreases savings will decrease our standard of living.

In summary, *profit* (and interest) is vital to everyone in a free economy; to the *owners* because it means a steady income and larger dividends; to *customers* because it means more, better and new products and lower prices; and to *employees* because it means better tools and equipment, better working conditions, higher pay and steady employment.

9. *Conclusion*

An attempt has been made in this simple analysis to distill the essence of the philosophy of freedom in the conviction that adherence to this philosophy is essential for an abundant life as free men. Deviation from these basic principles will tend to enslave and impoverish.

History teaches that the natures of man and government are diametrically opposed. If man is to be free, if his rights are to be inviolate, government must be strictly limited to its only legitimate function—protection of those rights.

History has also proved conclusively that capitalism is the most effective, as well as the most humane system for solving the economic problem of scarcity.

Wherever free enterprise

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

flourishes we find abundance and affluence. To whatever degree a society stifles the right to own and control private property, the free exchange of goods and services, the profit motive, and free competition—to that degree will the society suffer the problem of scarcity.

What then should be done in order that men may be free?

I would have government defend the life and property of all citizens equally; protect all willing exchange and restrain all unwilling exchange; suppress and penalize all fraud, all misrepresentation, all violence, all predatory practices; invoke a common justice under law; and keep the records incidental to these functions. Even this is a bigger assignment than governments, generally, have proven capable of. Let governments do these things and do them well. Leave all else to men in free and creative effort.[16]

—FOOTNOTES—

[8]Ludwig von Mises, "The Supremacy of the Market," *The Freeman,* (October, 1966), p. 17.

[9]Review by Hans F. Sennholz, "The Theory of Money and Credit by Ludwig von Mises," *The Freeman,* (April, 1971), p. 256.

[10]Hans F. Sennholz, *Inflation or Gold Standard?* (Lansing: Bramble Minibooks, 1973), p. 64.

[11]Fred G. Clark and Richard S. Rimanoczy, "What We Can (But Won't) Do About Inflation," (The Economic Facts of Life, Vol. 20, No. 3, New York: American Economic Foundation, March, 1967), p. 3.

[12]Quoted in John Chamberlain, *The Roots of Capitalism* (New York: D. Van Nostrand Company, 1959), pp. 194-195.

[13]F. A. Harper, *Why Wages Rise* (Irvington-on-Hudson: Foundation for Economic Education, 1957), pp. 95-96.

[14]Fred G. Clark and Richard S. Rimanoczy, *How We Live* (New York: D. Van Nostrand Company, 1960, 2nd ed.), p. 22.

[15]*Ibid.,* p. 49.

[16]Leonard E. Read, *Notes from FEE,* (October 1, 1954), p. 1.

IDEAS ON LIBERTY

The Freedom to Shop

THE principle which enables consumers to get the most of what they want is the principle of the free market. The heroine of the free market is the typical housewife who will go out of her way rejoicing to buy a box of detergent two cents cheaper.

Such an opportunity our heroine is glad to discover by shopping around. She would most vocally resent any restriction on her freedom to shop around. Without this vital freedom, all other freedoms—worship, speech, press, assembly, and so on—are shadowy if not impossible.

HART BUCK

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

HISTORIAN of LIBERTY

"I TALK with the authority of failure." So said Scott Fitzgerald in one of his notebooks. The statement did, of course, ignore Fitzgerald's magnificent achievement in at least one novel, *The Great Gatsby,* and in several perfect short stories, but it did point to the author's sense of wasted time and his inability to carry through with great projects.

In the Fitzgeraldian sense Lord Acton, the leading British nineteenth century exponent of what Leonard Read calls the "freedom philosophy," could also speak with the authority of failure. As Robert Schuettinger makes plain in his excellent *Lord Acton: Historian of Liberty* (Open Court, P.O. Box 599, LaSalle, Illinois 61301, $12.50), Acton never finished any of the grand works he hoped to write. A British liberal Catholic who, in his heart, doubted the theory of papal infallibility, he wanted to do a history of the Popes. What came out of it was a three-installment article published in a short-lived magazine in the Eighteen Sixties.

As a young man, a friend of James Bryce, Acton resolved to write a history of the origins of the American Constitution, comparing the American experience with that of the democracies of the ancient world. A vast amount of research was expended on the subject, but the result of it all was an article on "The Political Causes of The American Revolution" and a subsequent lecture on the meaning of the American Civil War.

This set the pattern of Acton's life in the years before he became Regius Professor of Modern History at Cambridge. As the gifted son of an English baronet and a French-German-Italian mother, Acton could read scholarly books in three languages. He planned a work on German history (he spent much of his time at a family residence in the Bavarian mountains), but nothing important came of it.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

He thought of a massive work on Johann von Dollinger, his old teacher who was excommunicated by the Vatican for saying the Pope had gone against Christ's warning against establishing a kingdom in this world. But the end of this was a forty-four page article in the *English Historical Review*.

His study of Machiavelli led to the collection of forty-five editions of *Il Principe*, or *The Prince*, and countless books and manuscripts on sixteenth-century Italy. After weeks and, indeed, years of mulling over the immorality of Machiavelli's advice to rulers, Acton finally contented himself with a twenty-one page introduction to still another edition of *Il Principe*.

The greatest of Acton's nonbooks was his *History of Liberty*, to which he devoted a lifetime of thinking and talking. Mary Gladstone, the daughter of England's great Liberal Prime Minister, was fascinated to hear Acton discuss his history. But the history never took formal shape. Nor did Acton's planned book on federalism, or his history of the Reformation, or his study of James II, the last Catholic king of England and Scotland.

Sowing the Seeds

A visitor to the Acton library at Aldenham came away with a report to John Morley that he had "beheld the most pathetic sight of wasted labor that ever met human eyes." This was a not uncommon reaction to Acton's "failure" at the time. But Robert Schuettinger thinks it is wrong to think of Acton as a "failed" book writer. If Acton had concentrated on any one period such as the Reformation or the America of the Founding Fathers, he would never have succeeded in tossing off a thousand-and-one *apercus* that have been the seed of hundreds of volumes on liberty written by other men.

Actually, Acton's published writings (not counting a prodigious correspondence) came to 5,000 printed pages, or enough to fill ten big volumes. Schuettinger solves the Riddle of Acton by concluding that he was "one of those brilliant and insightful scholars whose multitude of interests were insufficiently disciplined by an orderly sense of priorities." Acton himself knew, by his fortieth year, that he was a man who "seized upon a passionate interest for several months or a year, wrote an incisive essay on the subject, and then went on to another problem to be approached for an equally short time with an equal amount of enthusiasm."

A Growing Influence

Without ever writing a single big book Acton has had an influence that is still growing in the eighth decade of the Twentieth Century.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Britishers who are disillusioned by the Welfare State are just now catching up with a letter written by Acton in 1862 in which he criticized welfarism for nursing "a classless community which, instead of being absorbed in its own places, is permanently relying on the State to provide for it . . . depriving it of the possibility of becoming independent and self-supporting." Acton feared the philosophy of welfarism would end liberty by creating "the need of a strong hand perpetually saving society and converting dictatorship into a regular form of government."

Acton's warning against conscription is as eloquent as anything listed in Martin Anderson's *Conscription: A Selected and Annotated Bibliography* (Hoover Institution Press, Stanford, California 94305, $15.00). "A people," so Acton wrote, "that relies on a permanent system of compulsory military service resembles the statesman who declared himself ready to sacrifice not only a part, but the whole of the constitution, in order to preserve the remainder. It is a system by which one great liberty is surrendered and all are imperilled, and it is a surrender not of rights only, but also of power."

A Letter to Creighton

The most famous quotation in which Acton speaks to our times comes from a private letter which he wrote to his good friend Mandell Creighton, the Anglican Bishop of London. Bishop Creighton had argued that kings and popes, unlike other men, should be given the benefit of the doubt when there were suspicions of wrong-doing. "I cannot accept your canon," so Acton wrote, ". . . historic responsibility has to make up for the want of legal responsibility. Power tends to corrupt and absolute power corrupts absolutely. Great men are almost always bad men, even when they exercise influence and not authority."

This single statement, tossed off as an obiter dictum, has been worth all the books that Acton talked about but didn't get around to doing.

Acton has been accused of using "freedom" as a meaningless "hurrah-word." But his own definition of liberty is precise. "By liberty," he wrote, "I mean the assurance that every man shall be protected in doing what he believes his duty against the influence of authority and majorities, custom and opinion."

In a larger sense, so Schuettinger concludes, all of Acton's writings can be read as forming a large and continuous "History of Liberty." We would have lost this bigger book if Acton had given his life to a single work on the papacy, or the history of the Reformation, or whatever.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

POPULAR GOVERNMENT
by Sir Henry Sumner Maine
With an Introduction by George W. Carey
(Liberty Classics, 7440 North Shadeland, Indianapolis, Ind. 46250, 1976)
254 pages • $7.95 cloth; $1.95 paperback.

Reviewed by Henry Hazlitt

ALL students of politics owe a debt of gratitude to Liberty Classics for bringing Sir Henry Maine's *Popular Government* back into print. First published in 1885, with several early reprintings, the book has been out of print for many years. Yet this work deserves to rank with John Stuart Mill's *Representative Government* and Tocqueville's *Democracy in America.* Maine's *Ancient Law* is accorded such a rank; but *Popular Government* is usually passed over in embarrassed silence.

It is not difficult to account for this neglect. Maine questioned the virtues and inevitability of democracy when it was approaching the apex of its prestige. That prestige, it is true, had not yet reached the height it was to reach in 1917, when Woodrow Wilson took the United States into war "to make the world safe for democracy." The word "Fascist" did not yet exist to throw at anyone who expressed the slightest misgivings about the complete wisdom of all existing democratic institutions. But it was already almost fatal to the election of any politician, or even to the reputation of any political philosopher, to question the contention that *vox populi* was practically *vox Dei.*

Yet a closer study than was apparently accorded it on its original appearance reveals that Sir Henry Maine's book is by no means the sweeping condemnation of democracy it was long assumed to be. He several times remarks that "the best Constitutions are those in which there is a large popular element" (p. 182). But he did contend that: "Of all forms of government, Democracy is the most difficult" (p. 103). And he argued also that it was "characterized by an extreme fragility" (p. 90).

Though regarded by most others as "propelled in a continuous progress by an irresistible force," Maine saw democracy as "the product of a whole series of accidents" (p. 99). Historically, "from the reign of Augustus Caesar to the establishment of the United States, it was Democracy which was always, as a rule, on the decline, nor was the decline arrested till the American Federal Government was founded" (p. 98). As an example of the fragility of democratic government, he cited the experience in Latin America, and was able to point out, as early as

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

1884, that "out of fourteen Presidents of the Bolivian Republic, thirteen have died assassinated or in exile" (p. 44).

What, apart from its instability, did Maine see as the chief vices of democracy? He deplored the kind of men it tended to bring to the top, and quoted Sir James Stephen: "In a pure democracy, the ruling men will be the Wire-pullers and their friends . . . In some ages, a powerful character, in others cunning, in others power of transacting business, in others eloquence, in others a good hold upon commonplaces and a facility of applying them to practical purposes, will enable a man to climb on his neighbors' shoulders and direct them this way or that" (p. 53). To which Maine adds his own comment: The democratic Hero is "debarred by his position from the full practice of the great virtues of veracity, justice, and moral intrepidity" (p. 58).

"Universal suffrage," Maine thought, had it existed at the time, "would certainly have prohibited the spinning-jenny and the power-loom. It would certainly have forbidden the threshing-machine" (p. 58).

The "beneficent prosperity" in America in his own day, he held, reposed "on the sacredness of contract and the stability of private property" (p. 71). Fortunately, he added, "The Americans [of 1884] are still of opinion that more is to be got for human happiness by private energy than by public legislation" (p. 71).

"It is perfectly possible", however, he wrote at another point, "to revive even in our day the fiscal tyranny which once left even European populations in doubt whether it was worth while preserving life by thrift and toil. You have only to tempt a portion of the population into temporary idleness by promising them a share in a fictitious hoard lying (as Mill puts it) in an imaginary strong box which is supposed to contain all human wealth. You have only to take the heart out of those who would willingly labor and save, by taxing them *ad misericordiam* for the most laudable philanthropic objects . . . Here then is the great question about democratic legislation, when carried to more than a moderate length" (p. 69).

And he remarks at still another point that "there are two kinds of bribery. It can be carried out by promising or giving to expectant partisans places paid out of the taxes, or it may consist in the directer process of legislating away the property of one class and transferring it to another" (p. 119).

A still further tendency of democracy to which Maine called attention was the overlegislation that it seemed inevitably to breed. "It is not often recognized how excessively

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

rare in the world was sustained legislative activity till rather more than fifty years ago. . . . A Revolution is regarded as doing all its work at once. Legislation, however, is contemplated as never-ending. (p. 140) . . . It is rapidly becoming the practice for parties to outbid one another in the length of the tale of legislation to which they pledge themselves in successive Royal Speeches . . . Neither experience nor probability affords any ground for thinking that there may be an infinity of legislative innovation, at once safe and beneficent" (p. 157).

Can we honestly say today that Maine's fears of more than ninety years ago have proved unwarranted? Or that his picture of the typical democratic leader is not disquietingly recognizable?

His fears, in fact, fell short of today's actualities. Practically every country in the world is now suffering from monetary inflation. Balanced budgets are the exception, not the rule. Taxes have reached near-confiscatory levels nearly everywhere. Politicians do not dare to raise them further for fear revenues will actually decrease. Congress today turns out an average of 500 new laws a year—new prohibitions, new changes of the rules, the creation of new crimes. In the 94th Congress, there were 3,899 bills introduced in the Senate and 15,863 introduced in the House. The record of many State legislatures is far worse.

But with all his distrust of democracy, what has Maine to suggest in its place? His answer, to the extent that he offers any, is far from clear. Of the three possible forms of rule—of the Many, the Few, or the One, he proposes neither of the latter. In fact, at one point he tells us that "whenever government of the Many had been tried, it had ultimately produced monstrous and morbid forms of government by the One, or of government by the Few" (p. 204).

What Maine does do is to insist on the necessity of the erection of safeguards to the unrestricted rule of the Many. Of the four essays that make up this book, the entire last one is devoted to praise of the American Constitution and to its explicit separation and limitation of powers. He contrasts this constantly with what he sees as the capricious and unchecked power of the British Cabinet. He distrusts the very "flexibility" so admired by Bagehot, and he quotes in the original French and adds his own italics to the remark of Tocqueville that: "In England, the Constitution can change constantly; *or rather, it doesn't exist*" (p. 236).

What he did not foresee is that many of the safeguards set up in the original American Constitution would be in time removed or ignored. Instead of the appointment of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Senators by their respective State legislatures, which he admired, direct election would be substituted. The central government would assume increasingly powers left by the original Constitution to the individual States. The qualifications required for voters—property ownership, tax-payment, education, literacy, a minimum age of 21—would be successively removed.

But a much wider question emerges from this book, never explicitly mentioned by Maine. Is the real problem that confronts us merely that of democratic government? Or is it not rather that of *all* government? And isn't this the problem that has so far proved intractable? Writers from time immemorial have tried to solve it with facile and question-begging phrases. Aristocracy must be the best form of government, because it means government by the wisest and the best. Ah yes; but how do you get the people to recognize and choose and put into power the wisest and the best? Well then, in any case, the government, however chosen, should be given only very limited powers, so it cannot abuse them. Ah yes, again. But what powers? Can we draw a precise line around them? Can we get enough people to agree on that line? And even if we can once draw such a line, giving neither too little nor too much, how can we prevent whoever the government is from using whatever powers it already has, to extend its powers still further?

We come back to a fundamental dilemma: To prevent chaos, violence, rapine, or rule by the gangsters, somebody must be trusted with some power; but nobody can be completely trusted with much power.

Perhaps the political problem is not insoluble. But where and when in human history has it been for any long period satisfactorily solved? ⊕

HANDSOME BLUE LEATHERLEX

FREEMAN BINDERS

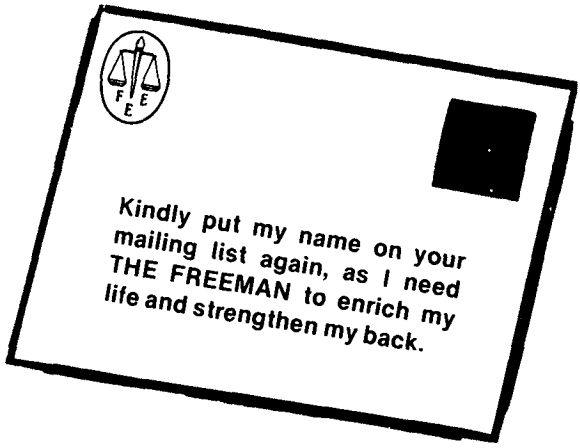
$3.00

Order from:
THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, NEW YORK 10533

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

It's nice to be missed . . .

. . . as in a recent letter from a longtime friend who had moved:



It's nice to have friends like that, but we hope you'll let us know promptly if you're moving. Otherwise, there's the cost of the mailings you missed, plus the cost to locate you, plus the cost of replacement copies. And it may be YOUR money!

. . . but nicer to be read and shared.

The form below was designed for the friend with whom you've shared your FREEMAN and who might like to be added to FEE's mailing list. (Any interested individual is added at his request.) But it also will serve to report a change of address. (Just check the second box in that case.)

THE FOUNDATION FOR ECONOMIC EDUCATION
IRVINGTON-ON-HUDSON, NEW YORK 10533

☐ Please add my name to receive THE FREEMAN, 64-page monthly study journal of free market, private property, limited government ideas and ideals; plus NOTES FROM FEE, a 4-pager devoted to libertarian methods, issued every other month.

☐ I'm already on your mailing list, but have a new address, as below.

Name _____ (Please print)

Street _____

City _____ State _____

Zip Code _____

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

OCTOBER 1977

"Don't Be Fuelish" ..... Robert G. Anderson 579

World in the Grip of an Idea
10. Germany: National
Socialism in Power ..... Clarence B. Carson 584

Prices Are Measures ..... Joan Marie Leonard 598

Zero Population Growth
Versus The Free Society ... Edmund A. Opitz 600

Another View of
Consumerism ..... Dennis Bechara 608

Liberty &/Vs. Equality ..... James Bovard 615

Freedom in a Nutshell
(Conclusion) ..... Kenneth W. Ryker 621

BOOKS:

Historian of Liberty ..... John Chamberlain 634

Other Books 637

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
30 South Broadway
Irvington-on-Hudson, New York
10533

Non-profit organization
U.S. POSTAGE
PAID
Foundation for
Economic Education, Inc.

RICHARD G. NEAL
6300 BEACHWAY DRIVE
FALLS CHURCH
VIRGINIA 22044

D

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED